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# Want to be a Supply Chain Hero?

Save your company's supply chain from a glut of dormant returned inventory. Here's how.

By Lee Norman and Warren Sumner

According to the Reverse Logistics Executive Council, the increase in costs for processing a return, as compared to a forward sale, is an astounding 200-300 percent. It costs three times as much to process the reverse logistics of new items as it did to process the forward logistics to sell it. According to Gartner, the percent that net profits are reduced by improperly handled returns is 35 percent, so it pays to get reverse logistics right. The solution to making the process pay: automate the reverse logistics process.

**Financial Gains Realized**

Many insightful companies have been highly disciplined about returns authorization. This isn't a new practice in the aftermarket service and warranty sectors. A product can't be returned until it has a return merchandise authorization (RMA) label generated by the person returning the product. But this practice seems to be contained to companies that do nothing but reverse logistics. The logistics manager is already "thinking in reverse," and it is rare — though less and less rare — to have this level of automation at the industrial level for the return of a new large quantity of otherwise saleable products.

A few approaches to reverse logistics have already been tried and shown to be inefficient. For some companies, it seemed like a good idea to ship a product with a pre-printed return label. This process guarantees just one thing: Returned inventory will be shipped to the proper address because it is printed on the label. Beyond that, the data management process hasn't advanced much because these labels don't declare the quantity of goods, nor if the return shipment is a mixed lot.

Other companies have tried call centers. Good idea in theory, because an agent typically produces correct, or nearly correct, data, and this approach allows you to sort through the various mix-matched SKUs in the shipment. But manual, human invention in a returns process, as with any supply chain task, is costly.

According to Gartner, automating your reverse logistics with a Web interface that demands a RMA and compliant label before any return would save you 50-70 percent over a live call center. Gartner further notes that if you set up an entirely Web-based RMA system that links directly to your ERP, your company could save 50-80 percent over pre-printed return labels.

Executives today are eager to achieve these levels of savings. And in order to produce such results, the return on investment for an enterprise returns management system can be achieved in a remarkably short time, given the margins and the money currently left on the table. Set up a Web-based RMA system, pre-integrated to your ERP, and train your customers to respect and adhere to your rigorous returns process, as enforced by Web services. This need not alienate your customers, nor be perceived as inflexible. Indeed, returns can be remarkably easy, given the flexibility built into the new ERM systems for manipulating highly granular data, the wide availability of "distance printing" of customized "returns compliant" labels, and the availability of sophisticated Web services in the ERM system that can access and distribute data from a central ERP...and update that ERP with awareness of inventory that is heading back to the warehouse, and better yet, what to do with it once it arrives.

With reverse logistics, supply chain officers and executives have a rare opportunity to present their management team with a problem and a solution at the same time. Returns management presents a significant opportunity that will be discovered sooner or later. Why not become the messenger of good news...and a viable, affordable solution. Go on, step up: Be a Supply Chain Hero!

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