

Reverse Logistics –Untapped Revenue Stream -A REVIEW OF LITERATURE

Manjunatha.N

Research Scholar, VTU RRC,

Belagaum, India.

Abstract:

Logistics management is known for its complexity, crescendos and uncertainty. Increase in global competition, sustainability, rapid technology development, intense business competition and variations in changing customer needs and requirements, has forced companies to restructure their business model and strategies. There are numerous terminologies i.e. Global sourcing, 4PL, E- Logistics, Supply chain Collaboration and reverse logistics are becoming the major concerns that needs to be handled by all domestic, international and global companies. Now, the Reverse Logistics is on the prime focus from many giants in the market from manufactures to retailers.

The objective of this paper review and concentrate on the Strategic Importance of Reverse Logistics where this is an area clearly a global market phenomenon that needs to be taken care by global players should focus on a comprehensive and solution which will add business value and a concrete market advantage.

Keywords: *Global sourcing , Reverse Logistics.*

INTRODUCTION:

It is no surprise that almost every company is looking for ways to increase sales, reduce the costs and risks. But in such tough economic times, the easy cuts have been made and all of the simple process improvements have been put in place. Reverse Logistics is an area that drawing attention in recent years, often overlooked process that can help companies reduce waste and improve profits.

Traditionally a product was developed to be manufactured and go through the supply chain (e.g.

Manufacturer-wholesaler-Distributor-retailer) to be sold to a customer. However, supply chains are steadily integrating more activities than those concerned with supply alone, like including service and product recovery. Here we will focus on the latter, and especially reverse logistics, i.e. the handling of

Products, components and materials during the recovery process. Several forces drive reverse logistics, like, competition and marketing motives, direct economic motives and concerns with the environment.

Returns are now increasingly being seen by retailers as a strategic part of the complex world of global commerce delivery. The growth in online sales and consumers using the home as a changing room has fundamentally changed the way that consumers view returns and retailers must develop their reverse logistics to respond to this. By optimizing your returns strategy you can ensure that the process is as cost-effective and integrated as possible, whilst ensuring that when your customers do want to return an order, it is as convenient and seamless as possible. Combining these approaches will allow retailers to introduce new revenue opportunities and increase consumer loyalty and conversion through returns.

Numerous retailers, reverse logistics remains an overlooked area. Reverse logistics is the process of receiving returned merchandise with the purpose of proper disposal or recapturing value. While many retail organizations run best-in-

class transportation and logistics systems and processes, some have neglected reverse logistics as a primary focal area. However, they have started to realize that to create and maintain an edge over the competition, they must rethink and reorganize their reverse logistics strategies.

Gaining real-time visibility across the manufacturing value chain and tracing the product returns and activities associated with it are critical for enterprises. It throws light on many facets and helps understand customer experience, recapture value, and ensure proper disposal.

HOW REVERSE LOGISTICS CAN CLOG ORGANIZATIONAL ARTERIES

An estimated 20 percent of goods sold in the United States are eventually returned to their manufacturers, at a cost of \$100 billion annually

The results of "National Retail Federation (NRF) 2014 Return Fraud Survey" from the "2014 Consumer Returns in the Retail Industry" report are an eye-opener. It shows that there is a steep increase in percentage of estimated amount of fraudulent returns, by around 20%, from \$9.1 billion in 2013 to \$10.8 billion in 2014. Retailers and manufacturers should take a note of it.

Within the retail industry, reverse logistics plays a critical role in consumer returns and how retailers process returns efficiently. While this may appear to be a simple process of moving goods from customers to returns centers, retailers face numerous operational challenges. For instance, hazardous waste and related disposal methods place stringent restrictions on the management of reverse logistics. Further, supply chain transformations are occurring as purchasing habits swiftly change. No longer are consumers constrained to shopping just at brick-and-mortar stores; they are instead shopping across multiple channels and expecting the same levels of service across each touch point. This presents new challenges for how to accommodate and integrate returns across these channels. Retailers, therefore, are seeking methods for processing multichannel returns; however, fraud remains a growing challenge. Methods must be found that enable hassle-free returns while mitigating the risk of fraud, which, if quantified, ranges from \$9.1 billion to \$16.3 billion annually.

Returns processed through a shared logistics channel can negatively affect many aspects of the business, including:

Customer loyalty, Profitability, infrastructure, Product value, Regulatory compliance.

Products may reverse direction in the supply chain for a variety of reasons as listed below

- ✓ Manufacturing returns
- ✓ Commercial returns (B2B and B2C)
- ✓ Product recalls
- ✓ Warranty returns
- ✓ Service returns
- ✓ End-of-use returns

CONSUMER SHOPPING TRENDS:

Today's shoppers are gradually moving away from buying at brick-and-mortar stores. They are more price-conscious and increasingly prefer the convenience of shopping from anywhere at any time.³ As online shopping continues to grow, e-commerce revenues are expected to rise 20.1% in 2014, to \$1.5 trillion.⁴ But with those online purchases come increased returns; industry insiders estimate that up to 40% of clothing and around 8% of electronics goods bought online or from a catalog during the last holiday season resulted in product returns.⁵ As the popularity of online shopping continues to increase, a similar return rate may occur year-round.

RETAILERS AND FLEXIBLE RETURNS

It is not uncommon for shoppers to purchase a product from a retailer's Web site and then return it to the physical store for a refund. This presents numerous challenges for order management, order fulfillment and inventory management, which costs retailers \$9.6 billion a year.⁷ Returns management, and specifically fraudulent returns prevention, presents its own challenges. By integrating returns with order management tools, retailers can achieve greater visibility of returns and decrease return fraud. This has been substantiated in our experience with a leading home improvement client through the centralization of its returns process across channels. To support these processes, retailers are placing a greater emphasis on master data contained within their supply chain systems. By maintaining a single source of information, one of our clients has successfully reduced fraudulent returns by introducing the following remedies

- ✓ Issuing refunds in the original form of payment only
- ✓ Introducing authorizations for canceled or rejected orders
- ✓ Implementing locks prohibiting simultaneous returns from different stores
- ✓ Instituting velocity checks for non-receipted returns

PRODUCT RECALL

Product recalls impact thousands of companies every year, affecting sales, testing customer relationship and disrupting supply chains. According to data gathered by Expert Recall, the quantity of recalled units increased by 292% in the fourth quarter of 2013, compared with the prior quarter. If retailers lack an adequate reverse logistics network, product recalls can cause irreparable damage to a company's brand.

To better prepare themselves for recalls, retailers should build flexibility into their reverse logistics networks by increasing data capture throughout their networks. By capturing more data, coupled with analytics, retailers can identify areas of opportunity and minimize risk, allowing them to react more quickly and efficiently to product recalls.

LOOKING AHEAD CONCLUSION:

- ✓ Returns vary according to the industry and it poses huge challenges and barriers
- ✓ Current industry practices and future market trends reveal up gradation of systems and technologies
- ✓ Retailers concentrating on reverse logistics should not view it as just a cost center
- ✓ Companies should focus on a comprehensive and strategic Reverse Logistics solution which will add business value and a concrete market advantage

- ✓ With a well-defined methodology and KPI's for Reverse Logistics, retailers and manufacturers can derive valuable analytics which will provide a definitive ROI with lower TCO

REFERENCES

- [1]. K.Govindan, P.Murugesan,Q. Zhu, and K.Devika,“Analysis of third party reverse logistics provider using Interpretive Structural Modelling”, International Journal of Production Economics, vol.140, No.1, pp.204-211,2012.
- [2]. Returns – The New Battle Ground for Retail
- [3]. Reverse logistics network: A literature review Tao Ye1* and Yin Zhenhua2 ISSN : 0975-7384 CODEN(USA) : JCPRC5 O.Lavastre, A.Gunasekaran, and A.Spalandzani,“Supply chain risk management in French companies”, Decision Support Systems, vol.52, No.4, pp. 828-838, 2012.
- [4]. I. Fernánde z, T. Kekäl e, “ Better models with Delphi and analytic hierarchy process approaches: the case of reverse logistics”, International Journal of Logistics Systems and Management, vol.4, No.3,pp. 282–296,2008.
- [5]. V.Ravi, Ravi Shankar and M.K.Tiwari,“ Selection of a reverse logistics project for end-of-life computers: ANP and goal programming approach”, International Journal of Production Research, Vol.46, No.17, pp. 4849-4870, 2008.
- [6]. K.M.Sheriff, A.Gunasekaran, & S.Nachiappan,“ Reverse logistics network design: a review on strategic perspective”, International Journal of Logistics Systems and Management, vol.12, No. 2, pp. 171-194, 2012.