A Global Overview of Reverse Logistics
The Reverse Logistics Process
Reverse Logistics Defined

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 proper disposal.*

* “Going Backwards: Reverse Logistics Trends and Practices” by Drs. Dale Rogers and Ron Tibben-Lembke
The Goal of Reverse Logistics

To move returned, overstocked, end-of-life, or obsolete assets from the normal stream of commerce to an alternative destination to maximize their value and reduce risks.
Why Spend Money On Returns

• Increase profits
• Improve customer relations
• Comply with government regulations
• Support sustainability initiatives
• Avoid risks and potential liabilities
The Value of Reverse Logistics

• Manufacturers spend on average 9% to 14% of sales on returns*

• Manufacturers with best-in-class reverse logistics enjoy a 12% advantage in customer satisfaction*

*“Reverse Logistics” - Aberdeen Group February 2010
There Are Two Basic Types of Returns and Only Six Ways to Process Any Asset Returned
The Reverse Logistics Process

Customer Requests Return Authorization

Returns Shipped

Item Received in the Returns Facility

Accounting Visibility Reports

Recall or Defective

Repair

No

Fail

Returned to Sender or Processed as Defective

Compliant

Recall

Recalls Processed

Parts

Repair Process

Scrap

Yes

Repair

Disposition and Sortation Process

Return to Stock

Return to OEM

Liquidate

Donate

Recycle

Destroy

Visibility, Reports, Accounting

Ship UPS, LTL or Truck Load

Repair

Parts
Liquidation Flow of Goods

- Retailers
  - Liquidated Direct to Secondary Market
  - 3PL (Outsourced)
    - Factory Outlets
    - Flea Markets
    - Pawn Shops
    - Auctions B2B - B2C
    - Export Sales
    - Dollar Stores
    - Value Retailers

- Liquidators
  - 1st Level Bulk B2B
  - 2nd Level LTL B2B
  - 3rd Level B2B - B2C

- Manufacturers
  - Liquidated Direct to Secondary Market
  - 3PL (Outsourced)

The Secondary Market
The U.S. Reverse Logistics Market
U.S. Consumers Return More Than the GDP of 66% of Nations in the World
U.S. Secondary Market Is 2.28% of GDP
Internet Retailer Return Rates are Three Times that of Brick & Mortar Retail Return Rates
Recall Processes

• The CPSC ordered 465 recalls in 2009
  – Sept 30, 2010: Fisher Price recalled 11 million toys
  – Oct 6, 2010: Valco Baby recalled 12,000 baby strollers
• The FDA has ordered over 250 recalls every year since 2000
• For every mandatory product recall there is at least one voluntary recall issued by a manufacturer
Reverse Logistics
Global Markets
China

• Facts about market opportunities in China
  – 3PL market fragmented with top 20 3PLs owning 10% of market versus 80% in U.S.
  – Very low recycling rate
  – Very few remanufacturing companies
  – Government working on recycling regulations
China Returns

- 3.4% returns rates for all industries
- 5.6% returns expenses of total logistics
- 45% of companies surveyed will invest in reverse logistics in the near future
- 55% of firms surveyed will outsource reverse logistics to a 3PL
Reverse Logistics in China

- Lack of capable reverse logistics 3PLs
- Lack of management understanding
- Perceived high cost to develop solution
- Lack of knowledge and skill
- No information / systems support
- Similar to the U.S. in the eighties
EMEA

- WEEE Directive
- Producer responsibility regulations
- Volume of returns in Northern Europe is similar to the U.S.
- Significant growth in Eastern Europe
EU Consumer Electronics

- 2009 total revenue €48.7 billion
- Average return rate was 6.3% or €3.07 billion in 2009
- Germany, the United Kingdom, France and Italy make up 70% of the European CE sales
- A 2008 survey found that 60% of manufacturers and retailers in the EU said that reverse logistics was important but only 13.6% of companies even track the cost of returns
- WEEE compliance is a key driver behind all EU returns management services
  - Focus on waste reduction, not returns management
  - 90% of manufacturers have centralized recycling facilities
RAPEX EU’S CPSC

- RAPEX is the system used by the EU to notify consumers of dangerous non-food consumer products.
- In 2008 the EU issued 1,866 notifications.

**Comparison with previous years**

Figure 2 - Number of notifications 2003-2008

![Graph showing number of notifications from 2003 to 2008](image)

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Other Regions

- Asia Pacific
  - Japan, Singapore, Taiwan, South Korea, Thailand, and Australia
  - Strong retail unions
  - Low return rates in general
  - Little research is available
  - Due to the size of the economies and lack of information, additional research is warranted
South America

• South America
  – Brazil
    • 75% of the population of South America is within 350 miles of Sao Paulo
    • Hi-tech manufacturing in the north, three days from Sao Paulo and Rio de Janeiro
    • Hosting 2014 World Cup & 2016 Olympics
    • Tax laws pose significant barriers to entry
  – Chile, Argentina, and Columbia
    • Major secondary market for many U.S. liquidators
The Future of Reverse Logistics
Reverse Logistics Changes by 2015

- Transportation costs will likely increase by 50% or more
  - Many existing reverse logistics networks will cost too much
  - Networks must change from a centralized model to a decentralized model in order to provide affordable value
- Internet and catalog sales will continue to grow which will drive up return rates and transportation costs
- Sustainability initiatives will increase driving more volume
- Government regulations will continue to increase
  - Limit legal exposure from product liability and legislation
  - Increased number of recall events
Thank You

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