International Journal of Latest Engineering and Management Research (IJLEMR)
ISSN: 2455-4847
www.ijlemr.com || Volume 02 - Issue 08 || August 2017 || PP. 04-08

Reverse Logistics Strategy and Its Implementation – A Conceptual Study

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Abstract: Increasing legislative and environmental pressure requires businesses to become more responsive to products that either have been returned or that are at the end of their useful lives. Life cycles are getting shorter, and efficient handling can save large amounts of money since many materials can be extracted and reused or redistributed. Reverse logistics and closed loop supply chains have garnered growing interest as a way to manage this reverse flow of product in a cost effective way. Since most supply chains are not designed to handle reverse materials flows effectively, this is a crucial resource for managers who wish to ensure a smooth flow of materials while extracting the maximum value from returned and end-of-life goods. Usually, logistics compressed with proceedings that carry the product towards the customer. In the case of reverse, the resource goes at least one step back in the supply chain. For example, goods move from the customer to the distributor or to the manufacturer. Consumers are the foremost and decisive link in a reverse logistics chain that aims to recycle household packaging residues. Properly approached reverse logistics can take the problem feature out of your process and change these costs into investments for profitable, long-term customer relationships.

Introduction:

Reverse logistics stands for all operations related to the reuse of products and materials. It is "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 removal. More precisely, reverse logistics is the process of moving goods from their typical final destination for the purpose of capturing value, or proper disposal. Remanufacturing and refurbishing activities also may be included in the definition of reverse logistics." The reverse logistics procedure consists of the management and the sale of remaining as well as returned apparatus and equipment from the hardware hiring business. Usually, logistics compressed with proceedings that carry the product towards the customer. In the case of reverse, the resource goes at least

one step back in the supply chain. For example, goods move from the customer to the distributor or to the manufacturer.

Concept of Reverse Logistics

The concept of reverse logistics is compound and overseas to most people, but it is more significant now that it has ever been. The economic recession has effected in organizations seeking to reduce costs and improve customer satisfaction – usually regarded as incompatible concepts. Manufacturers cannot maintain their high cost bases, but at the same time must not risk losing even more sales through reduced customer satisfaction. Retailers must focus on sales above all else, but can't allow that to reduce the quality of their service. Luckily, specialists in reverse logistics are there to achieve both outcomes. Organizations can outsource their returns and repairs operations to specialists and achieve both reduce fixed costs, and the service improvements that specialists can offer. Additionally, the environmental effect of constant consumption is massive. Reverse logistics has a critical part to play in protecting the world we live in by extending the life of goods and recycling them after their use.

Concept of Reverse logistics can be explained under following headings:

1. **Returns Goods.**
2. **Recycle or Fault Goods.**
3. **Unbalanced Trade - Empty containers or tracks comeback to country or producer.**

1. Returns Goods - In certain industries, goods are distributed to downstream members in the supply chain with the understanding that the goods may be returned for credit if they are not sold. Newspapers and magazines serve as examples. This acts as an incentive for downstream members to carry more stock, because the risk of obsolescence is borne by the upstream supply chain members. However, there is also a distinct risk attached to this logistics concept. The downstream member in the supply chain might exploit the situation by ordering more stock than is required and returning large volumes. In this way, the downstream partner is able to offer high level of service without carrying the risks associated with large inventories. The supplier effectively finances the inventory for the downstream member. It is therefore important to analyze customers' account for hidden cost.

2. Recycle or Fault Goods - Recycling is a resources recovery option that enables the use of part or all materials from returned goods, either by their original producer(s) or by other industries. The recycling process essentially encompasses two stages. The first is the collection service stage and includes all the necessary procedures that make recyclables possible for further reprocessing. The second is the reprocessing stage from the collection of materials to the replacement of primary raw materials.

A growing number of companies are finding that there's money to be made by sending things back. The concept is called reverse logistics, but most people simply call them returns. And all sorts of businesses have come to understand that their work is unfinished until their customers are happy, and the bottom line looks good. The business of returns starts when a customer, retailer, dealer or manufacturer finds something wrong with a product (outdated, spoiled, broken or flawed). This single fact should initiate a response that through appropriate automation takes care of blame, return transport, physical processing and eventual redistribution or recycling and finally compensation to the customer. The whole idea of reverse logistics, or returns, can be painful, time consuming and costly for all involved--manufacturer, retailer and customer.

Example: A cell phone reverse logistics model proved extremely helpful for a firm selling such products under their brand name. This firm had the cell phones manufactured by LG Industries, Samsung, Motorola

and others. Accessories were again manufactured by a diversity of firms. Order taking and early end consumer billing was performed by Amazon. Forward logistics, including warehousing, carrier service programming and order fulfillment were performed by CellStar. Cellular carriers such as Verizon and Sprint provided the monthly service. Extended warranty and product protection insurance was provided by lock/line. The customer call center service and reverse logistics was performed by CellStar.

Design and Implementation of Reverse Logistics Strategy

In today's marketplace, many retailers treat merchandise returns as individual, disjointed transactions. "The challenge for retailers and vendors is to process returns at a proficiency level that allows quick, efficient and cost-effective collection and return of merchandise. Customer requirements facilitate demand for a high standard of service that includes accuracy and timeliness. It's the logistic company's responsibility to shorten the link from return origination to the time of resell."

Strategies for Setting up Reverse Logistics Development

Some of the straightforward and valuable strategies for setting up a successful reverse logistics development. Those are follows:

1. SECURITY - Returns should be broken up from things bound for distribution. One of the major reasons is connected to security. It is suggested that the reverse logistics area be designed to have only 1 entry and exit point. Return things sent back by mail are often misplaced or lost, follow-on in poor customer service because of delays in charge backs, corrosion of the company's name and financial defeat. If the budget allows metal detectors and personal security agents can also radically reduce the number of lost or lost returns.

2. SHIPPING AND RECEIVING - A problem is the unloading of returns at the wrong site within the distribution centre. In this situation returned products can obstruct the flow of outgoing merchandise. The returns can also be varied with new products waiting to be shipped out. It takes time to sort through the products mix. Returns often have to be manually returned to the correct region. To keep away from this difficulty, a separate mailing address should be assigned to the returns quay.

3. LABOR - Returns examination is measured to be the most complex function performed in reverse logistics. Frequent needs regarding the condition of the returned product have to be accounted for by the inspectors. Improved knowledgeable, enhanced trained and extremely motivated employees are essential to fill the positions. The work load concerned with returns is changeable. It has been found that establishing a combine of full-time and hourly workers for treatment returns is a winning way to handle labor exploitation. "One company found success by hiring all returns inspectors as full-time employees, and hiring support personnel to unload returns, palletize and distribute the returns to the inspection stations, and pick and pack the processed returns according to disposition options". The support personnel are hourly salary employees.

4. THE RETURN POLICY - Companies should have a comprehensible policy arrangement about returns. The policy should consist of essential return rule for return authorization information, return product eligibility wants, and return shipping strategy, cargo damage guidelines, and a general corporate policy regarding returns. The return policy should be cautiously communicated to customers.

5. INSPECT RETURNS - Return inspectors should exercise a regular process. It is helpful for each inspector to have their own personal code to make sure severe and personal answerability. Products should

consist of electrical profiles with relevant information such as the manufacturer's no, the product's sequential number, statement number, etc. Inspection involves comparing the data with the physical condition of the product.

6. ASSIGN DISPOSITION - The task of make a decision what will be done with process returns is known as assigning disposition. There are three major nature categories sell with discount on secondary markets; return to the manufacturer; and return to stock. Sell with discount on secondary markets involves selling goods that are in good quality operational condition, but which are crowded in containers that have been damaged or compromised or have the manufacturer's seal broken. It is obliging to use the word "secondary" to distinguish the dissimilarity between returned and new products. The term secondary point to that they have already been sold as new and are now going back to the market for the second time. Some companies, website selling has been a successful venue to resell secondary products.

Return to manufacturer involves approaching returned product back to manufacturers /suppliers. Because of the implications of straight cost this is measured the uppermost priority concerning character options. Exact criteria between the seller and manufacturer/supplier should be clearly recognized.

Return to stock is the last option. These returns are considered new with the original manufacturer's close intact. A return stock or sellable product is located back in account and sold as new. This is the favoured option for manufacturers and suppliers, since returns shipping costs are avoided and precious account space is conserved.

Suggestions for Reverse Logistics Problems:

- The outsourcing of reverse logistics to a third party logistics provider may be the wisest option.
- The way toward achievement in the reverse logistics procedure is throughout superior visibility of discriminating information and as close to "real-time" process information as probable.
- A elegant reverse logistics system can stop the cost of processing returns that are not essentially the accountability of the manufacturer and prevent useless transportation before it begins.
- All things mentioned above, keep the procedure easy and economical for all concerned.

Conclusion:

Consumers are the foremost and decisive link in a reverse logistics chain that aims to recycle household packaging residues. In fact, without consumers' involvement and continuous collaboration, this system cannot exist. Information technology and telecommunication facilities available today can be built-in into re-engineered business development processes. Time overwhelming manual processes can be eliminated, pouring out even more costs. Technologies currently below development will incorporate item level tracking with wireless technology to modernize business systems in real time. Organizations will be able to keep on in touch with their customers, products in the supply chain, despite of time or geography. Enhanced item level information will improve the business process to keep customers superior informed and reduce product returns. Properly approached reverse logistics can take the problem feature out of your process and change these costs into investments for profitable, long-term customer relationships.

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