

INTRODUCTION TO MANAGEMENT OF REVERSE LOGISTICS AND CLOSED LOOP SUPPLY CHAIN PROCESSES pdf

1: Closing the Supply Chain Loop: Reverse Logistics and the SCOR Model - Inbound Logistics

loop supply chain and reverse logistics service in industrial, commercial, and consumer businesses and government, civilian, and military operations, as outlined in this book, is a result of more than 40 years of management consulting experience in the service field.

COPYRIGHT Gale Reverse Supply Chain Logistics Supply chain management takes into account all the companies and processes involved in the production of goods and services, from suppliers to manufacturers to wholesalers to retailers to final consumers and beyond disposal and recycling. Because of increased consumer awareness, government oversight, and legally imposed environmental constraints, the stages beyond final consumption have become more important, leading to the need for safe return of products from the field as well as for more environmentally-friendly products and by-products, such as recyclable containers and packaging materials. As a result, logistics planning must now consider both forward and return flows of products, parts, subassemblies, scrap, and containers. This is known as reverse supply chain logistics. These goods include the following: Products that have failed, but can be repaired or reused Products that are obsolete but still have value Unsold products from retailers Recalled products Parts repaired in the field that still have value Items that have secondary usage, i. Frequently, due to legislation, the original manufacturer is now responsible for final disposal of the product. New state laws passed since the early s are mandating an increasing shift to waste reduction and recyclability in products and product packaging. Consumers are also increasingly paying attention to the recycled content and recyclability of packaging as well as the environmental friendliness of both products and production methods. Another important factor includes a steady rise in customer returns because of increased demand for customer service and satisfaction, the frequent use of warranty returns, and the proliferation of rental businesses. Large retail chains usually have an agreement with suppliers allowing them to return goods. While originally intended to cover failed products, it has expanded to cover perfect goods that simply have not sold. From the consumer perspective, the buyer may return a good simply because they have decided not to keep it. Many e-retailers offer free returns and even free-shipping on returns in an effort to attract customers. Consumer expectations have also changed as product life-cycles have been shortened by rapid technological advancement that makes products become obsolete more quickly. This has led to an increased demand for repairs, re-manufacturing, upgrades, or recalibration as well as discarding potentially valuable products that are no longer viewed as such by the current user. For example, many consumers purchase new televisions even though the one they own still has a useful life because the most recent model is larger, more advanced, or has new features. The competitive environment of the twenty-first century global economy has also played a significant role in the rise of reverse supply chain logistics. An increase in global competition brought on by the advancement of free-trade agreements and the rapid economic rise of such newly industrializing nations as China , India , and Brazil has led to an increased drive to reduce costs. Firms are striving to take advantage of potentially good items and waste materials through reuse, recycling, or secondary usage. There has been an increased use of returnable or reusable containers for both public-relations purposes and in response to dwindling or increasingly expensive raw materials such as paper. Finally, there is the issue of product recalls mandated by federal safety guidelines. Consumer Product Safety Commission CPSC , which protects the public from risks of injury or death from more than 15, types of consumer products, has issued over 4, product recalls and recall alerts. The globalization of the supply chain has resulted in a greater number of recalls as products are increasingly produced in countries with few environmental or safety regulations or poor enforcement of existing laws. The spate of Chinese-manufactured toys that were recalled in and dramatically highlighted this problem. In , products made in China were recalled by the CPSC, an annual record and nearly double the number from the beginning of the s. The used product must be retrieved. Once collected, used products are transported to some sort of facility for inspection, sorting, and disposition. The returned products are tested, sorted, and graded.

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Diagnostic tests may be performed to determine a disposal action that recovers the most value from the returned product. If a product is new it may be returned to the forward supply chain. Others may be eligible for some form of reconditioning while others may be sold for scrap or recycling. Some products may be reconditioned or completely remanufactured. Most people have seen products labeled factory reconditioned which implies it is used but like new and may have a warranty. Some products may have parts that can be extracted for reuse or as spare parts. Others go for salvage or recycling. Reconditioned or remanufactured products may be sold in secondary markets where customers are unwilling to purchase a new product. In other instances the firm may need to create a new market if demand is not currently present. Of course, there are distribution needs in getting the product to the secondary market. Blumberg lists a number of important characteristics that need to be managed, coordinated, and controlled if the reverse supply chain is to be economically viable: Uncertain flow of materials—firms often do not know when a return item will arrive nor are they certain of its condition. The item may be like new or may require substantial repair or even disposal. Field service engineers often try a new part in a field failure, assuming the old part is bad. Subsequently, the old part is returned. When it turns out that the new part did not fix the problem, the old part is still returned as bad, thus creating a flow of mixed good and bad parts. Typically, 30 to 35 percent of high-tech returns are perfectly good. Customer diversity—the return flow can be quite diverse and dependent upon the specific customer or end user. This may require considerable knowledge of specific customers and their use of the product. Value improvement—the firm will of course want to maximize the value of its return goods by transforming them into the state that will provide the most revenue or least cost. Multiparty coordination—since reverse logistics almost always involves multiple parties, an efficient and rapid real-time communication system or network is needed. The basic reverse supply-chain logistics model operates independently of the forward supply chain that delivered the original product. When a firm controls the full process of forward and backward shipment the result is called a closed-loop supply chain. The closed-loop supply chain generally involves a manufacturer, although sometimes it is the buyer, taking responsibility directly for the reverse logistics process. The products, parts, etc. The primary difference in this and the reverse supply chain is that in this model the entire direct and reverse flow can be and usually is controlled by the original manufacturer. Within a closed-loop system involving a consumer market the primary interaction is between the retailer and the original manufacturer. Returns can be failed products or simply those purchased and returned. In this model there are two reverse linkages, consumer to retailer and retailer to original manufacturer. Closed-loop systems allow firms to track the product and its failure-and-repair experience, thereby revealing how to cost-effectively service and support field service. Also, the close control and rapid recovery provided by a closed-loop system allows minimum inventory for field support. Blumberg states that inventory value is maximized in the following ways: Rapid returns to the manufacturer for reuse Ability to liquidate products, parts, and subassemblies with value to secondary markets Controlled recycling or disposition within environmental and other legal requirements Ability to efficiently process returns back into the original direct supply chain Reducing inventory often produces significant additional efficiencies and results to the firm including the following: Simplifying processes of retail and wholesale return, reducing labor cost Reducing undesirable shrinkage and damage from returns Improving the database and visibility of products throughout their life cycle Reducing disposition cycle times, thereby, increasing cash flow Blumberg also states that the strategic value of closed-loop reverse logistics management operations will have a very positive effect in terms of: Reducing the cost of returns Increasing the value of the salvage merchandise Capturing vital information and reliability, maintainability, and dependability of products supported Reducing transportation and warehousing expenses and time including the partial or full elimination of small package shipments Automating and fully controlling the total returns process General experience dictates that the introduction of closed-loop supply chain management can result in the bottom line direct savings of 1 to 3 percent or more of total revenues, particularly for organizations in a mature or stagnating market. EFFICIENT By strategic design, forward supply chains generally strive to be either efficient; that is, designed to deliver the

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product at a low cost; or responsive, meaning designed for speed of response. Obviously, there is a trade-off between the two structures; the quest for low cost efficiency would involve foregoing actions that would increase responsiveness, while striving for increased responsiveness almost always involves an increase in cost or a decrease in efficiency. Blackburn, Guide, Souza, and Van Wassenhove suggest that reverse supply chains follow a similar structure even though most currently strive to be efficient. They propose that reverse supply chains may be structured as efficient or responsive depending upon the type of product returned. Their research indicates that for reverse supply chains, the most influential product characteristic is marginal value of time MVT. They also propose that efficient reverse supply chains can achieve processing economies by delaying testing, sorting, and grading until the products have been collected at a central location. This works well for products that have a low marginal value of time. However, for items with a high marginal value of time, for example, PCs, a responsive reverse supply chain is appropriate. Early diagnosis, for example by field testing, can maximize asset recovery value by accelerating returns to their ultimate disposition, a process they call preponement as opposed to the postponement tactic prevalent in forward supply chains. Also, diverting new and scrap products from the main flow for items requiring additional work, repair and reconditioning, reduce flow time. Therefore if efficiency is the objective, then the reverse supply chain should be designed to centralize the evaluation activity. If responsiveness is the goal, a decentralized evaluation activity would be appropriate in order to minimize time delays in processing returns. The factors influencing this trend—such as environmental legislation and awareness, rising consumer expectations, and global competition—are unlikely to be reversed any time soon. With this kind of volume and the strength of the underlying factors, the importance of improving reverse supply chain logistics is likely to continue increasing in the foreseeable future. Consumer Product Safety Commission. Greening the Supply Chain London: Cite this article Pick a style below, and copy the text for your bibliography.

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Introduction to Management of Reverse Logistics (RL) and Closed Loop Supply Chain (CLSC) Processes provides an overall treatment of CLSC and RL, a qualitative and quantitative presentation of the size and dimensions of the overall market and industry, and a look at future trends.

Closing the Supply Chain Loop: Reverse logistics is the backward flow of what we all wish would be a forward-only process. If you expect zero product returns in your supply chain, you are living in dreamland. Given the growth of online shopping, direct-to-store shipments, direct-to-home shipments, and the complexity of global sourcing, delivery mistakes are increasing exponentially. Thus, reverse logistics is becoming more important. Reverse logistics has not always been in the forefront of enterprise planning. It is a case where everyone losesâ€”your customer who sends the product back dissatisfied, your supplier who gets your parts back, and the manufacturer who wasted enterprise resources creating and distributing products that are unneeded or unwanted. The hope is that somewhere out there lies a solution to all those disappointments and their attendant costs. Recently, however, the tide has turned and reverse logistics is beginning to receive proper attention. When supply chain professionals consider reverse logistics, they will reap not only the direct rewards of rationalizing return product flow, but also the corollary benefit of optimizing the business process. The model designates eight specific return points: Two return points at the manufacturing company level. Tough Economy or Good Business Practice? Is the increasing importance of returns a reflection of a tough economy, or is it just downright good business practice? In hard times, companies tend to search for resources in areas they overlookâ€”such as rejected and returned products. Visit a large retailer after Christmas and the return lines are often longer than the checkout lines. The length of the returns line may also be a function of the complexity of the forward product delivery process, even for simple consumer items. But it also reflects the complexity of the reverse logistics process: Those returns may appear to affect just the retail business. But remember, the products being returned reach all the way back to manufacturers and raw materials suppliers across the country and around the world. It makes sense, then, that the latest SCOR model, as well as industry experts, place such an emphasis on reverse logistics. An Emerging Practice "The practice of reverse logistics has been growing rapidly in the past few years," says Donald Maltby, executive vice president of logistics, Hub Group. Once it arrives, the product may not be exactly what they wanted, so they return it. Despite an increasing number of returned products, many companies have typically pushed aside the issue of returns, preferring to focus only on the forward flow, or on practicing inbound logisticsâ€”matching demand signals to their supply. Who wants to draw attention to the screw-ups and incorrect decisions that returns represent when improvements can be made in other places? Your mistake is staring you in the face. Real Returns, Real Costs "Returns play an important role because real costs are tied to them, which affects the profitability of the enterprise," says Wascher. If the experience of returning product is overwhelmingly negative, all the forward logistics customer service is overridden and the manufacturer may lose future orders. When goods come into a return center, they should be assessed. Disposition options around asset recovery include repair, upgrade, refurbish including repackaging , remanufacture, demanufacture parts reclamation , and recycle particularly pallets and containers. Disposition logistics also includes channel or routing logic, which means the returned items and components can be sent back to the customer, routed to a warehouse, or sold in secondary markets. Another reverse logistics consideration is brand protection. In these cases, the policy is product disposal. Therefore, it makes sense that in order for companies to benefit from reverse logistics, they must have plans, systems, and people in place to optimize the reverse logistics process. The Bottom Line "Regardless of the specifics, reverse logistics is all about costs," says Mitchell. Those industries will often eat the costs to send the products back for repair in order to provide excellent customer service. For example, Dell Computer has about five percent of its B2C computers returned vs. The agents can often walk consumers through setup and early usage issues, in effect, talking them out of returning the computers. Banker offers the following

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suggestions drawn on the successful experiences of companies that have attacked the reverse logistics challenge: All logistics activities are supply chain activities. That also applies to reverse logistics. Cross-functional participation is needed to achieve better capabilities. Outsourcing reverse logistics may be an option, due to its complexity. In most cases, reverse logistics should be done in a specially designed returns center rather than a distribution center. New technology solutions providers can help with the unique challenges of reverse logistics in general, and e-business returns specifically. Intelligent gatekeepingâ€™return merchandise authorization RMA â€™can help reduce returns. Reverse logistics programs should also include provisions for product recall. Several WMS suppliers offer returns processing modules that contain disposition logic. But disposition logic is not enough. More advanced capabilities will contain tracking codes that specify the reason why goods are returned, contain Internet messaging features that help ensure customer satisfaction, and contain features that assign an estimated financial value to returned goods. Reverse logistics should not be dismissed as the latest business fad, and it should not be undertaken on a corporate whim or in half-measures. It would be nice to live in a world where there were no returned products, or the need for them. But that world does not exist, and even with the best supply chain management systems in place, will never exist. Any reverse logistics initiative should reduce real costs while better satisfying customers, and, as Steve Banker suggests, play a part in building sales.

3: AMU Course: RLMT - Introduction to Reverse Logistics Management

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