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GETTING TO GRIPS WITH
THE REVERSE LOGISTICS CHALLENGE

Market Trends and Observations

Connecting Talent : Creating Success

Before eCommerce!

- Reverse Logistics existed before eCommerce!

- Widely used during pharmaceutical product recalls in the 80's, removing tainted products from the shelves.

- Traditionally Reverse Logistics has aligned more closely with some sectors more than others:
  - Automotive – spare parts – continues to grow as the average age of cars increase
  - Magazines and print with short shelf lives
  - Tech sector need – high volume, low mix with Tech being less of a consumable item and having higher value

- Reverse Logistics wasn't as complex as it is today
  - No online purchasing or returns - we shopped and returned to store
  - No GDPR
  - Less environmental concern

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Reverse Logistics Today!

- Today, everyone has a different view of reverse logistics
  - reflects growth, change and relative immaturity – but invariably it varies by sector and company

- Everything that happens after the point of sale

- Reverse Logistics being recognised as a multi-sector, multi-skill B2B and B2C challenge, with huge potential

Reverse Logistics / Repair / Refurbishment	Logistics / Distribution / Supply Chain
ITAD / ITAM	Etail / Retail
OEM	Financial / Lease / Insurance
EMS & ODM	Managed Services
SaaS / IoT	Automotive
Medical	Telecoms

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Growth of eCommerce

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- Consumer habits have changed
  - Immediate needs – we cannot be without!
  - Entitlement culture – 'try and return' at no charge – deliver where I want it

- eCommerce has raised the Reverse Logistics profile through the challenges it creates
  - Getting products back into the supply chain – stranded assets
  - Creating new business growth – trading returned product

Return

Replace

Refurbish

Remarket

Restock

Spares

Redeploy

Scrap

Repair

Recycle

Remanufacture

lifecycle

Recover

Resell

Reverse Logistics Statistics

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- Absolunet described RL as:
  - Retail's $400 Billion a year elephant in the room to hit tipping point as returns set to hit $400 billion in 2017
  - UPS estimated it would be handling **1 million** returns a day in January 2016
  - In the UK **23%** of all purchases made in 2018 were returned

- On average, Online shoppers return close to **30%**

- **44%** of retailers say *margins are strongly impacted* by returns handling

- **62%** of consumers are <u>more likely to purchase online if they can return an item in store</u>
  - Omni channel options – looking for the return experience, not the store shopping experience

Reverse Logistics Statistics

Construction is thriving!

- Now, "reverse logistics," *a fancy term for dealing with e-commerce returns*, is the *No. 1 new user of warehouse space* in the United States, taking up to *700 million square feet* nationally, according to **CBRE**

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- Most industries face *very high costs to process returns*

- Traditional reverse supply chain is long and complicated, with goods traveling from *consumer to retailer to vendor to liquidator to wholesaler to reseller and finally, to a secondary buyer*.

- Items typically need to be *reviewed* and *assessed* for fault and/or damage, then be *repackaged* and *distributed* to a location where they can be *resold* or *reworked*.

- For retailers, this is a **$1.75 trillion** and many retailers *do not have adequate systems* in place to manage this flood of returned product.

What it the Reverse Logistics Challenge

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eCommerce supply chains are designed to get the product to the customer

Returns are:
- High Volume
- High Mix
- Open, not original packaging
- Require manual inspection, sortation
- Labour Intensive
- Fragmented supply chains – omni channel
- Profit Damaging
- Negative Customer Experience
  - A **customer who is unhappy is a lot more expensive** than we could ever imagine, there's more to be lost by trying to penalize them than there is to be gained – *Home Depot*
  - *A great returns experience can drive customer loyalty – Narvar*

- ***Unpredictable (difficult to automate)***
- ***Lacking Data & software***

Embracing Reverse Logistics

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- Reverse Logistics provides opportunities to *innovate* and *differentiate*

- Returns solutions are becoming a part of the consumer's shopping behaviour

*We know that about **86 percent of consumers say the returns process influences their buying decision online**, so we know it's very impactful," said **Erik Caldwell, XPO Logistics***

Data Analysis

- **ZigZag** helps retailers manage & resell their returned stock. They offer to refurbish, locally redistribute, destroy or resell stock

- Growing within fashion but applicable to all sectors

- Provides visibility & tracking – intelligent disposition & consolidation based on data
  - Apps, photos, AI

- Information on volume of returns, condition of the products, reason for return, the percentage of sales and the £€$ amount

- Data Analysis to improve predictability

Data Analysis

- B-Stock – B2B auction site enabling the sale of goods to business buyers

- Data gathering across multiple industries
    - *Which markets are buying what products for what price*?

- Intelligent disposition and routing based on real-time market data

- *neuronal network* solution, consisting of 16 layers, based on a *machine learning framework*

- The neuronal network focuses on *image recognition* and is used in the warehouse to quickly identify returned items

- **How does it work?** The IT solution scans the item and compares the taken picture with the database; the return employee now receives information from the system how probable it is that this item can be assigned to a specific article number

- **Background**: The neuronal network has been trained with *14 mil pictures, 20,000 labels* and additional information like the weight

Amazon

- Amazon has stated they will become the market leader in returns with *Amazon Renewed*

- Amazon shipped over 5 billion packages in 2017 with Prime alone and now has over 600 brick and mortar locations where customers can return merchandise
  - Bringing returns to the high street

Innovating sectors

- IoT
  - 28 billion connected devices worldwide by 2021
  - Preventative maintenance and intelligent diagnostics

- RFID
  - Increase processing speed with automation potential

Summary

- The Reverse Logistics challenge keeps on getting bigger

- The Market is still immature but is innovating

- Data is leading to efficiency and predictability

- Understanding and moulding customer behaviour will lead to greater efficiencies

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Thank you

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