



REVERSE LOGISTICS STEPS FORWARD

iqor

REVERSE LOGISTICS STEPS FORWARD AND TRANSFORMS

As IoT devices proliferate, returns rise and user issues multiply, Digital Lifecycle Management service models powered by big data pump up product support to improve customer experience.

If you've never heard of reverse logistics, there's a good reason. Nobody talks much about it. Until now.

Also called the reverse supply chain, reverse logistics includes all the product support activities that happen post-sale, such as repairs, returns, recycling and warranty management. In most organizations, reverse logistics has been more afterthought than strategy, more ad hoc than deliberate. The forward supply chain, comprising the steps that bring new product to market, usually claims the lion's share of corporate resources and attention.

But now reverse logistics is climbing out of the back seat. Retailers and OEMs are discovering that a revamped reverse logistics program can add revenue, streamline operations, enhance customer experience and build a global reputation for environmental stewardship.





DLMs Connect the Dots

This new, improved reverse logistics is part of a larger movement towards a service model that iQor calls Digital Lifecycle Management (DLM), with capabilities spanning both product and customer journey. DLMs disrupt traditional org structures, such as functional silos, to merge disparate sections of the supply chain into one integrated resource driven by digital technologies such as:

- Data collection through sensors, barcodes and remote devices
- Robotics for picking and packing
- Driverless transport vehicles
- 3D printing centers for quicker, decentralized parts production
- Client-specific platforms for easily accessible quotes, shipping, tracking and billing information, plus customizable reporting features to improve logistics planning
- Digital self-service tools
- CRM and knowledge management platforms for cross-functional sharing of information among staff

THE LOGISTICS CUSTOMERS LOVE

According to research, customers consider these among the most important features of both forward and reverse logistics:

- Elimination of slow or lost shipments
- Elimination of shipment discrepancies
- Significantly reduced product/part returns
- Improved delivery reliability
- Improved efficiencies in customers' shipping/receiving operations



High Returns = A High-Tech Headache

One reason for the emergence of new, improved reverse logistics and digitized service solutions is a dramatic shift in consumer purchasing behavior.

According to a 2017 Pew Research study, eight in ten Americans now shop online—a 4x increase from 2000. Consumers expect to be able to buy anything they want anytime they want it. They also want to send it back anytime, with no shipping costs and no questions asked. Not surprisingly, return rates are rising. In 2014, returns were a problem worth \$221.7 billion in the United States and \$642.6 billion globally.

Rising returns are a problem across industries, but they're a plague for consumer electronics. In one survey, almost half of high-tech online purchasers reported returning a product the previous year. With a staggering 20.4 billion connected devices projected to be in use by 2020, the situation will only get worse. More devices, more functionality, more service providers, diverse manufacturers it adds up to more confused customers trying to navigate an increasingly complex, chaotic digital ecosystem.

High-tech OEMs and retailers see improved reverse logistics models as a chance for a trifecta: an all-in-one solution to recoup maximum product value, offset the “free” costs of returns and shipping and improve customer experience. This last potential outcome hits an especially sweet spot. Happy customers tend to be loyal, and loyal customers are solid gold for a brand: It cost five times as much to acquire a new customer as to keep an old one. Unhappy customers, on the other hand, can break up with a brand based on one negative service experience.



Reuse Recoups Maximum Value

So why are so many high-tech customers unhappy enough to send back their devices? Generally it's not because the product is broken or flawed. About two-thirds of returned devices are perfectly fine. Customers send them back either because they can't figure out how to use them or they want to upgrade to a newer version.

These returns are classified No Fault Found (NFF), and along with skillfully refurbished returns they have created a busy market for some secondhand devices, particularly smartphones. In fact, the growth rate of the used smartphone market is forecast to be 4-5 times higher than the overall smartphone market and could continue rising through 2020.

The robust reused market is good news for OEMs, retailers and the environment. Although second-life products can't command full market value, they can generate impressive revenues. Deloitte Global projected that in 2016 consumers would sell or trade in approximately 120 million used smartphones, generating more than \$17 billion. Second-life products also save the raw materials and energy used in manufacturing, giving consumers a greener alternative that also costs less.

REVERSE LOGISTICS RETURNS BIG BENEFITS

A well-planned reverse logistics strategy that integrates with customer support can improve business in numerous ways:

- Increased customer happiness and loyalty from streamlined returns process
- Lower inventory through speedy repair and return of products
- Costs of returns offset by recovery of valuable materials
- Fines avoided by recycling e-waste where it is required by law
- Recovery, refurbishment and recycling programs also enhance reputation for environmental responsibility

Recycling and Rebirth as Something New

Even returns beyond cost-effective repair can be worth their weight in—well, gold. Electronics contain gold, copper and other metals, which can be extracted, smelted and sold as commodities. One global electronics giant reported mining \$14 million worth of gold through recycling. There is also value in batteries, plastics and hard drives, which can be pulled out and processed for new uses.

However, the best recycling is no recycling. More companies are adopting the principles of the circular economy, which connects forward and reverse supply chains in one low-carbon, closed loop, thus minimizing raw materials and cycling waste materials back into a sustainable supply chain for new products. Two examples are Dell, which is using reclaimed carbon fiber in some of its products, and Lanza, which is converting carbon-rich wastes from manufacturers and agriculture into fuel and chemical products through gas fermentation.



“We predict at least 10 percent of premium smartphones (\$500 or higher) purchased new in 2016 will end up having three or more owners before being retired, and will still be used actively in 2020 or beyond.”

-Deloitte

Knowledgeable Agents: Happier Customers, Fewer Returns

Like the best recycling, the best return is no return. Digital Lifecycle Management service models cross functional lines to equip customer care agents with updated product information, such as newly identified product flaws and fixes, so they can suggest a solution instead of simply facilitating a return when a frustrated consumer calls in.

The resulting fast, first-call resolution is very satisfying for the customer. It is also satisfying for agents. Preventing an expensive, wasteful return adds value to their role in the company and qualifies them for performance-related incentives. Having a more knowledgeable and empowered agent is a powerful retention tool: Analysis has shown that these agents remain longer with a company.



PAYBACK: HOW MUCH IS A HAPPY CUSTOMER WORTH?

It pays to treat your customers well. A Harvard Business Review study showed that clients of transaction-based companies who gave their experience the highest rating spent 140 percent more than those who rated it the lowest. For subscription-based services, the most satisfied customers had a 74 percent chance of still being a member a year later, compared to 43 percent for the least satisfied.

Say So Long to Silos

Today's digital tools and platforms make transforming a company's reverse logistics program easier than ever. Improvements could pay off in upside worth five percent or more in total sales. To start, experts suggest looking closely at existing systems for places to streamline and strengthen—for instance, organizational silos.

A DLM strategy that takes into account the entire support ecosystem helps break down silos. KPIs embedded within org silos are often too narrowly focused to be effective in an integrated service model, especially when function-specific goals conflict with those of other groups. A technician rated on average Handle Time (AHT), for example, might advise a customer calling in with a problem to simply return a product rather than taking the time to explore possible solutions. While this would satisfy AHT criteria, over time the practice could ruin the return rate—another silo's problem.

Tearing down organizational silos may be too radical a first step for most companies. However, at the very least companies should reexamine KPIs and realign them across functions and divisions. They should also examine data silos and software systems. Is customer and product data accessible across functional lines? Does everyone have the right digital tools to collect and share data? How can cross-functional collaboration be enhanced? One thing is certain: Even a small step will point reverse logistics in the right direction—forward, and facing the customer.





iQor is the only global managed services provider embedded in the flow between product, people and services, from point of customer acquisition to sustainable recycling. We partner with many of the world's best-known brands to deliver product and customer support solutions that span the consumer value chain, from customer care and receivables management to product diagnostics and repair services. Our award-winning technology, logistics, and analytics platforms enable us to measure, monitor and analyze brand interactions, improve business process and find operational efficiencies that lead to superior outcomes for our partners across the customer and product lifecycles. For more information, please visit us at www.iqor.com or follow us at www.twitter.com/iqor.

