

Significance of reverse logistics

[Business](#), [Company](#)



To the corporate world, it is all about making a profit. To the corporate world, efficiency is a means to achieving that profit. To the corporate world, one can not achieve profit with logistics. To modern researchers, the corporate world has just truly begun to turn its eyes towards reverse logistics. To us business students today, without reverse logistics there can be only limited profit. Within the scope of this analysis we shall be examining the significance of reverse logistics.

To comprehend the importance of this study we must first ensure that the reader understands that reverse logistics is an acutely fascinating yet highly misunderstood concept which differs from company to company. Reverse logistics is a manner of reversing the supply chain. In this analytical reversal lies a world of opportunities to businesses. In a manner of speaking, reverse logistics is a highly analytical procedure which calls for the usage of statistical tools and highly trained managers and financial accountants to understand how to place products back into a supply chain in order to achieve profits.

Part of this definition means that businesses should be aware of which products they can expect to see as 'returned items'. These items should be anticipated to be sold to another supplier to be turned into scraps for another project. Also customization needs to occur to increase the positive user experience; including warranty programs as well to increase the satisfaction level of customers. Businesses highly dislike having items returned to their inventory. Items returned that fail to sell are regarded as a loss in profits and revenue.

For companies seeking to understand why such rates of returns occur they must turn to reverse logistics, as a seemingly modern tool, used towards understanding why this occurs to begin with. For businesses it is vital that they analyze, among other information, why such items are returned, how to alleviate this revenue loss, what techniques or selling tools can be used to prevent this from occurring, and perhaps how to protect the entire company should this occur in various divisions within the company. In analyzing why this occurs we must turn to reverse logistics management.

This management solution takes crucial time and effort to look at how to manage the entire returns process. By managing this process, companies can increase the recovery of net assets and revenue goals. As the introduction paragraph points out it is all about ensuring that the profit margin and supply chain is being fulfilled. At this time we shall examine how textile and apparel industries are adversely affected by returned items. When examining the online marketplaces, researchers have determined that typically garments are in danger of being returned by consumers who purchased them online.

Purchasing decisions are driven by a consumer's feelings about themselves and their bodies or physical image of themselves. For instance, when a woman is seeking to purchase clothing which is dependent on a fashionable image they expect the color, feel, fit, image, and expectations to match what they thought they 'saw' on the internet. As you can not 'feel' or 'wear' the garment when purchasing online, you are making the decision to purchase based upon other factors. These factors include color and style.

Because consumers are attempting to make an effective choice on what to purchase they are often disappointed by what actually arrives in the mail. As a process hierarchy situation businesses are finding it pertinent to have marketing and sales staff which are willing to communicate with the supplier chain about how to survey consumers and generate more purchasing power in the online stores. Engineering teams are being used to modify the online appearance to appeal to more consumers (Hammond, website).

The article, " In the Virtual Dressing Room Returns are a Real Problem" by Jan Hammond and Kristin Kohler, it is emphasized that "...high return rate of apparel products purchased online...mirrors the rate of catalog apparel purchases...returns for apparel bought from catalogs ranged from 12 to 35 percent.. " This return rate process is a serious concern of companies marketing apparel online and in catalogs. On the other hand, the article shows that decisions to buy generic goods like books, music, electronic, etc.. are less reflecting a return rate because less emotional factors tie in to the consumer's decision to purchase those items. This article indicates that accuracy of color plays a crucial role in decision making of consumers on the web. Surveys conducted, including one by InfoTrends Research Group, indicated that 88% of consumers will shop at online stores which guarantee that their products reflect " true and accurate" color standards and schematics. Because of feelings of insecurity about acquiring the items which meets their color standards and expectations, consumers are less prone to make the initial decision to purchase.

Because of this ' risk' of purchasing an item " unseen", " untouched" , and " unworn", consumers surveyed have become interested in companies which

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use the new initiatives to improve the color on their websites. For example, detail and color would be greatly improved with companies using zoom technologies such as HP Open Pix and Live Picture (Hammond, website). Other companies are seeing products such as BodyMetrics LTD, which can 'on-line visualize' body dimensions on a mannequin to see how the item would fit the consumer's body composition.

These tactics are all methods of reverse logistics management, because they improve the online visibility of items which can increase the purchasing of consumers while decreasing the rate of return behavior that companies experience. In addition, as companies are seeking to place their products in online supply markets they can provide those supplier companies with an up-selling tool which aids in their own sales protection. For instance, let us closely examine IKEA's effective operation management. IKEA, a furniture retailer, has invoked in its company a strong usage of operations management.

Operations management is a means towards which a company organizes its hierarchy, sales structure, approach to service, strategic operations, systematic direction of the company, and finally the control of internal and external processes which turn inputs into completed goods and services. IKEA's experience in operations management is highly organized and analyzed by reverse logistics management. In understanding IKEA's operations management style we must first recognize that IKEA believes in a self-service concept.

This means that IKEA believes that customers service their own needs by picking up their furniture themselves from the warehouse. IDEA's furniture is <https://assignbuster.com/significance-of-reverse-logistics/>

built with high quality in mind and displays a wide variety of choice for the every day consumer. Showrooms have been explicitly designed to reflect various rooms and items related to the household goods. Because the ordering and picking up of items is performed by the customer, there is no chance that the consumer be unaware of what they are purchasing. Catalogues and notices are placed around the store explicitly showing the illustrations, dimensions, and availability of color of the goods.

These room settings also allow customers to make educated decisions and comparisons about items without being infringed upon by sales personnel hoping to make a sale. As part of the reverse logistic management, this customization of user experience allows for the customer to examine and make decisions while not being under sales pressures (Slack 14-15). As the customer knows exactly where in the store they are purchasing the items from they have the opportunity to return to the area for further decision making.

This operational strategy is very successful to IKEA because of the piece of mind given to customers. Customers see how smooth the process is from selecting their items, to loading their items in a large loading area explicitly for customers, to non-pestering salespeople, to sufficient variety of quality goods at less expensive prices, to well-designed showplace environments, and to staff which willingly help customers at request. This attitude fosters a good mindset in consumers and presents the every day customer with a pleasant environment.

Should consumers seek to return items the customer service is guaranteed to be a pleasant one. For customers this operations management has <https://assignbuster.com/significance-of-reverse-logistics/>

considered all reverse logistics and countered them with a steady aptitude for impressing the every day customer. This situation is truly a competitive advantage for IKEA over the competition. While reading this case study I was impressed with the idea that they have an eatery and a location where parents can drop off their children for daycare services while they shop peacefully.

In general, this design contains such attractive features which allows for the operations of the organization to be seen on various levels (Slack 14-16). The case study also relates how the transformation process model works at IKEA. In this concept lies the idea of how the resources are used to “ change the state or condition of something to produce outputs. ” The nature of this operational concept is that a company can use its resources to literally transform itself and its resources into goods and services. IKEA has done both.

It has used quality items from global companies and its in-store services to create the groundwork for a pleasant customized experience. Customers experience a variety of feelings about the IKEA stores while shopping which has a positive affect upon their decision to make purchases. For instance, the daycare allows parents to cope with making the decision to purchase while not have the added responsibility of watching over rampant children. Considered a customer processing strategy, this helps the psychological state of customers.

In addition, IKEA stores have allowed for showroom settings and customized ideas to help differentiate one product from another. Non-lingering salespersons also alleviate any pressure of making an immediate decision to

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purchase versus feeling hounded by expectant salespeople. The nature of this process allows for the consumer to feel that they are making the right decision making the purchase. Like all competitive companies they feel that the inputs to the transformation process needs to be “ error-free, fast, and efficient information processing.

” Customers feel that this information is an aid for allowing the consumer to be satisfied that their concerns and questions on how to use or install the items will be handled in a professional and efficient manner (Slack 17-23). In general, all these processes from business processes to the customer-supplier relationship and interacting relationships are vital to competitive businesses. Whether it be an online stores or a physical store, it is important to recognize that reverse logistics plays a key role in ensuring a satisfied customer while providing a way to generate revenue.

Works Cited: Reverse Logistics Management: Manage Returns Processing Across Multiple Channels. Viewed March 26, 2007. http://www.manh.com/reverse_logistics_management/index.html?gclid=CNG4kMHsjYsCFQIQWAodVUPdWA In the Virtual Dressing Room Returns Are A Real Problem. Published: April 15, 2002 . Jan Hammond and Kristin Kohler. Viewed March 26, 2007. <http://hbswk.hbs.edu/item/2883.html> Slack, Nigel, Stuart Chambers, Christine Harland, Alan Harrison, and Robert Johnston. Effective Operations Management. 1998. London, Pitman