

Reverse Logistics and its Impact on Supply Chain



WAREHOUSING

20 SEP, 2021 . 7 MINUTES READ

Logistics has become a highly specialised activity to ensure seamless operations. It is no longer merely transporting goods and material from one point to another. [Modern-day logistics services](#) involves several activities, and as the business evolves, more and more elements are getting added to it.

Reverse Logistics:

The growing market competition and increasing customer expectations have brought Reverse /Logistics to the centre stage. To stay competitive and survive in business, it has become critical for companies to re-engineer their business processes and adapt to shifting markets and changing customer demands. Managing Reverse Logistics is one of these vital processes.

What is Reverse Logistics?

According to the [Council of Logistics Management](#), Reverse Logistics is defined as “the process of implementing, controlling, and planning the cost-effective flow of finished goods, raw materials, and in-process inventory. The flow is from the point of consumption (customer) to the point of origin (manufacturer), to properly dispose of or to recapture value.” This definition includes remanufactured or refurbished goods as well.

In simple language, once a product is sold and delivered to the end-customer, if due to any reason, the product is called back or the customer returns the product, the principal customer has to make arrangements to recall that product. The various activities involved in this ‘reverse flow’ of the product back into the organisation are collectively called Reverse Logistics.

Values of Effective Reverse Logistics:

Till now, Reverse Logistics has been an unsung hero of the entire supply chain. Thankfully, people are now releasing the importance that reverse logistics adds to the business and its immense potential to ensure customer retention and profitability.

Some of the values of effective reverse logistics are:

1. Can provide invaluable data about products:

One of the most significant benefits of running an effective reverse logistics process is providing organisations with valuable product data. This data helps the organisations to understand which products get returned and for what reason(s). This allows the organisation to understand and correct flaws in its production or delivery process.

2. Can reduce losses and generate additional revenue:

A properly managed and seamless reverse logistics can help organisations reduce losses due to any damage in transit and create an opportunity for generating additional revenue.

For example, return policies customised as per customers’ needs can ensure error-free and cost-effective returns. Proper handling and distribution of returned goods can help a company reduce their losses and provides an opportunity to generate additional income.

Products received from reverse logistics may be used to generate additional revenues. This is done by refurbishing,

repairing, and recycling goods or selling off returned products or materials from them. Many companies use the parts which are in working condition to make new products.

3. Reduce operational costs:

Seamless reverse logistics processes help organisations reduce their costs in various areas of operations. Some of the areas are:

- **Storage**
- **Transportation** – Some companies combine replacement and return in one attempt. It helps reduce transportation costs and provides enhanced levels of customer satisfaction.
- **Costs related to fraudulent returns** - An efficient reverse logistics process can help companies identify these cost overheads and control them quickly.

4. Enhance customer service:

Experts believe acquiring a new customer is five times more expensive than retaining an existing one. Hence, when we have a disappointed customer, it makes tremendous business sense to win back that customer.

In this age of intense competition and powerful social media, a company can offer a product return service and attempt to win the customer. A superior reverse logistics can play a crucial role in this. It not only makes the customer happy but also improves the company's reputation.

5. Improves brand image:

Companies that offer excellent reverse logistics and simple return processes are seen as customer-friendly and proactive. This improved brand image tackles negative publicity due to anything lacking in the product or service quality. Brands that offer recycling or exchange of old goods are seen as environment-friendly and customer-oriented. Both help attract additional customers.

6. Reducing Waste and Conserving Environment:

A well-thought reverse logistics process can help reduce waste, especially electronic waste and sustain the environment.

Methods to Optimise Reverse Logistics

Till now, a neglected area, Reverse Logistics is the new buzzword. It is very critical to make the best use of reverse logistics.

The following ideas can help optimise Reverse Logistics.

1. Periodic Review of Return Policies and Vendor Agreements:

To differentiate your brand from others, it is essential to do something different. Reverse Logistics can be a significant differentiator. Hence, it is critical to review and update the return policies periodically.

Similarly, to optimise the reverse logistics process, it is essential to review and update vendor agreements. This can help a company reduce cases of overstocking, returns, and associated costs.

As per a study of the current retail scenario, 95% of customers make a repeat purchase from a brand that offers an easy

return process. A user and environment-friendly and attractive return process is seen as the most significant competitive advantage. However, while designing return policies, it is critical to safeguard the company's interest to prevent its misuse and abuse, which burdens the organisation.

2. Outsourcing the process

It makes enormous business sense to outsource the entire reverse logistics activity completely for many companies. An outsourced [logistics service](#) provider can pass on the benefits of its experience and robust supply chain technologies to their customer and offer superior customer service at much lower costs.

3. Using technology and automation:

In the current scenario, technological innovations like WMS, TMS, and bots have changed the way the supply chain process works. The use of technology has helped companies solve many warehousing problems like frauds, pilferage, wrong shipments and helped companies do the work in less time and more efficient manner.

4. Centralised Return Centres:

One of the latest innovations in reverse logistics is establishing centralised return centres (CRCs). These CRCs are centralised [warehouses](#), which manage only goods returned. These CRCs are concerned with only the flow of goods back into the supply chain for further processing. Using distribution centres for doing both kinds of logistics has its challenges. When it comes to choosing between the forward movement and reverse movement, the former gets more priority. Hence reverse logistics gets lesser importance. In the case of dedicated CRCs, this challenge is taken care of quickly.

Future of Reverse Logistics:

With ever-increasing competition, the companies are trying to innovate themselves to give themselves a competitive edge. Never before have the customers been so demanding.

With pressure coming from internal and external forces, one thing is sure that survival and growth are possible only for companies that are flexible to market situations and can make the entire reverse logistics process customer-friendly. The growth of e-commerce has further necessitated reverse logistics. Soon, it is expected to become the norm that all companies will have to adapt if they want to sustain themselves in the business.

Conclusion:

Reverse logistics has become imperative to the long-term well-being of businesses. Earlier it was seen as a burden for organisations as companies have to cater not only to customer satisfaction but to a delightful experience. Reverse logistics is vital to the future of the logistics industry. And technology will augment this intelligent operation by adding more favourable business outcomes through their analytics.

[Contact us](#) today for detailed insights on how Varuna Group can support your business.

Frequently Asked Questions

1. How does reverse logistics impact the supply chain?

2. What industries benefit most from reverse logistics?

3. What are common challenges in reverse logistics?

4. How can technology improve reverse logistics?