

Expert opinion

Supply Chain: pinpointing return flows in order to optimize, anticipate and enhance them

By Florent Boizard, Consulting and Innovation Manager, Logistics Solutions, Hardis Group

Logistics is one of the key aspects of productivity in the retail sector. And yet, unlike shipping flows, return management is too often overlooked. Return flows can be optimized and anticipated to become creators of value for the company.

Systematic return flows across all distribution channels

Whatever the distribution logic - physical points of sales, "conventional" (mail order) or electronic distance selling, multi-channel, or even cross-channel - good management of the supply chain is a key element of productivity in the commerce sector. However, with the exception of traditional mail order companies, the supply chain is still very much focused on the management of shipping flows, while return flows are often underestimated or overlooked. Return flows can become creators of value for the company.

The most classic, but also most random are remaindered items at the physical point of sale (15% to 20 % on average in the textile sector, 28% for high tech equipment, 40% in food retailing, etc.) wrong choice (size or color) or returns through after-sales because of failure or non-compliance.

In parallel, and more recently, new return flows have emerged. For example, those related to a legal obligation, such as recovery of old equipment and sending it to a recycling system, which are now required of distributors. Or, quite the reverse of a requirement, flows decided on by the company to differentiate itself from the competition, such as recovering packaging on delivery, free returns of products ordered (especially in the ready-to-wear sector), etc. These new return flows can more easily be anticipated than remaindered items or returns for reasons of quality. But in all cases, effective management of returns is just as essential as controlling shipping

What systems should be used for returns?

Before automating returns, they should be examined, analyzed and categorized in order to apply clear and defined processes to them. The choices available naturally depend on the type of product, but also on the type of return, on decisions made by the management, on company organization and on the systems it has set up with its partners.

Among the possible options, not counting after-sales or damaged goods: parcels returned to be reintegrated into the conventional distribution network. This is a good solution for sales (the item will be sold at its original price), but it may affect margins, due to the costs associated with processing returns on logistics platforms. This is why other methods have been devised, such as shipping returns directly to third parties (discount stores, cut-price warehouses, exporters, etc.), returns according to type of product for mass processing, etc., while for recycling, companies ship materials directly to specialists.

Managing returns: costs incurred in the creation of value

Once the workable options have been defined, warehouse management software (WMS) and / or transportation management software (TMS) will allow the return flows to have the same optimization as shipping flows.

First, by managing the status of the goods: to be put back into stock, sent to quality control, recycled, discounted, etc. Then by automating or mechanizing the processing of returns: optimizing carriers' rounds to collect unsold items from shops (possibly in connection with replenishment rounds), regrouping and immediately putting back into stock for high turnover products, restocking in real time according to a path optimized for slow moving products, or grouping items by type of products or suppliers.

As part of quality control, the WMS will also facilitate the traceability of nonconformities - photos of returned items, qualification of the reasons for returns (defective, damaged, out-of-date item items, etc.) - and automating the procedure to be implemented (blocking for additional control, quarantine, restocking, etc.).

But beyond the optimization of processes and associated productivity gains, finer management of return flows can be used to analyze and anticipate them and therefore increase their value. WMS reporting tools, for example, can be used to identify products that were well received in a particular store, on a particular sales network, or vice versa. This information can be used from one season to the next, to better calibrate procurement and optimize the quantities shipped. These data can also be used to implement a continuous improvement process for the quality of products and related services (packaging, transport, delivery, etc.).

Finally, the better return flows are handled, the more they contribute to the positive image of the company, and therefore help to add value to it.

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Florent Boizard graduated from ENSAM and started his career at Galeries Lafayette where he spent 2 years as methods manager. He joined Hardis Group in 2005, as a consultant, later becoming innovation manager in 2008 and consulting manager in 2009. Florent Boizard is passionate about logistics information systems. He designs and leads product innovation and supervises a team of more than 25 logistics consultants.

About Hardis Group

Hardis Group was created in 1984. It is both a software publisher and an IT services company. Ever since it was created, the company has built growth in a resolutely different way, based on pragmatism and the core values of local presence and a strong commitment to both customers and employees. The founding directors still run the company, 25% of employees are shareholders, and all the personnel is based in France.

Hardis Group focuses on seven major sectors: infrastructure and facilities management, development and Third-Party Application Maintenance (TPAM), consulting and project owner support, business intelligence, logistics and transport (Reflex solutions), development tools (Adelia Studio), and payroll outsourcing (Saphyr software).

As a software publisher, Hardis Group is capable of integrating its own solutions and can also call on the services of a network of partners. Its consultants are experts in high-quality IT project methodologies (such as ITIL and CMMI).

Hardis Group posted turnover figures of €53 million in 2011. To date, Hardis Group has more than 2,500 customers and employs 620 people. Its head office is located in Grenoble, with five other branches in Lyon, Paris, Lille, Nantes and Rennes.

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