Reverse Logistics Transformation

Case Study at Cisco

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Agenda

- What is Reverse Logistics
- Problem Statement
- Reverse Logistics Vision
- Sense to the Material-Volume
- Reverse Supply Chain
- Process Verticals & Key Enablers
- Reverse Logistics Model
- Gaps in Oracle Functionality
- Solution Benefits
- Cost Center to Profit Center
- Implementation Challenges
GLOBAL LOGISTICS & SUPPLY CHAIN STRATEGIES

First Place: Cisco Systems
Runner-Up: GEMCO & Sky-Trak

Presented by CSCMP
GLSCE & CSCE: Supply Chain Innovation Awards
What is Reverse Logistics

- Recovering Cisco’s products back from Customer/Distributor, and redeploying them in the way that brings the best value to Cisco
- Create a consistent, scalable, global end-to-end process and system for inbound logistics and receiving through disposition and fulfillment

Unlocking value from Cisco product returns
Problem Statement

- Gray Market Risk
- Lower Product Return Rate after booking
- Value Recovery Opportunities
- Brand Protection
- Building new Customer Base
Reverse Logistics Vision

“Deliver a globally consistent, scalable, world class, end-to-end business solution by unlocking value from Product Returns aiming to Optimize net cash contribution, Reduce transaction cost, Improve customer satisfaction, and Promote corporate citizenship”.

Sense to the volumes in the Reverse Logistics Operations

- 30,000 Units received each week
- 22,000,000 Lbs of material recycled annually
- $100,000,000 Net Contribution annually
Reverse Supply Chain

Manufacturing

Distributor

Reseller

End Customer

Service Provider

Recycle

Remarking

Reverse Logistics Partner

Cisco

Service

Repair
## Process Verticals

<table>
<thead>
<tr>
<th>Inbound Logistics</th>
<th>Customer Product Returns Management, Management of product returns in transit to receiving location — Inbound</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receiving &amp; Disposition</td>
<td>On-dock receipt to put away as per disposition instructions</td>
</tr>
<tr>
<td>Express Screening &amp; Testing</td>
<td>Repair order management, Express Test NPI process, Shop floor control set up, DGI to FGI conversion</td>
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<tr>
<td>Inventory Management</td>
<td>Managing DGI/ FGI inventory, Management of Purge/Scrap process</td>
</tr>
<tr>
<td>Order Management</td>
<td>Point of receipt of order to point of report pick</td>
</tr>
<tr>
<td>Order Fulfillment</td>
<td>Report pick to actual ship confirm</td>
</tr>
<tr>
<td>Outbound Logistics</td>
<td>Management of refurbished product shipment from the supplier location in transit to customer location - Outbound</td>
</tr>
</tbody>
</table>
Reverse Logistics Model

Customer

Reverse Logistics Partner

Cisco Internal Customers

Cisco

Logistics
3B11 – Ship Notification
3B13 – Ship Confirm

Reverse Logistics
Return ASN - 3B2
Return Receipts - 4B2
Requisition Request - 3A4
Product Update - 2A1
Gaps in Oracle Functionality

- Like Part Processing
- Pro Active Asset Recovery Functionality
- Inventory Request: Supply Demand match engine
Solution Benefits

- Bring new customer into Cisco
- Improved Process Efficiency
- Reduced Transaction Cost By ~ 30%
- Improved Visibility on Business Metrics
- Enhanced Customer Experience
- Improved Process for Product Reuse & Shipping
  
  Provided Rule Based Demand Management / Compliance Regulation
Cost Center to Profit Center

3 Year Trend Analysis

Value Recovery and Net Contribution

<table>
<thead>
<tr>
<th>Year</th>
<th>Value Recovery and Net Contribution</th>
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<tbody>
<tr>
<td>FY06</td>
<td>$49M</td>
</tr>
<tr>
<td>FY07</td>
<td>$97M</td>
</tr>
<tr>
<td>FY08</td>
<td>$157M</td>
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Implementation Challenges

- Short Time To Market
- Evolving Business Model
- Unavailability of Out Of Box Functionality in Oracle modules
- New Reverse Logistics Partner On-boarding
Q and A