Reverse Logistics Transformation - Case Study at Cisco

Mudit Agarwal, Solution Architect, Reverse Logistics, Cisco

Agenda

Introduction

Focus Area

Approach

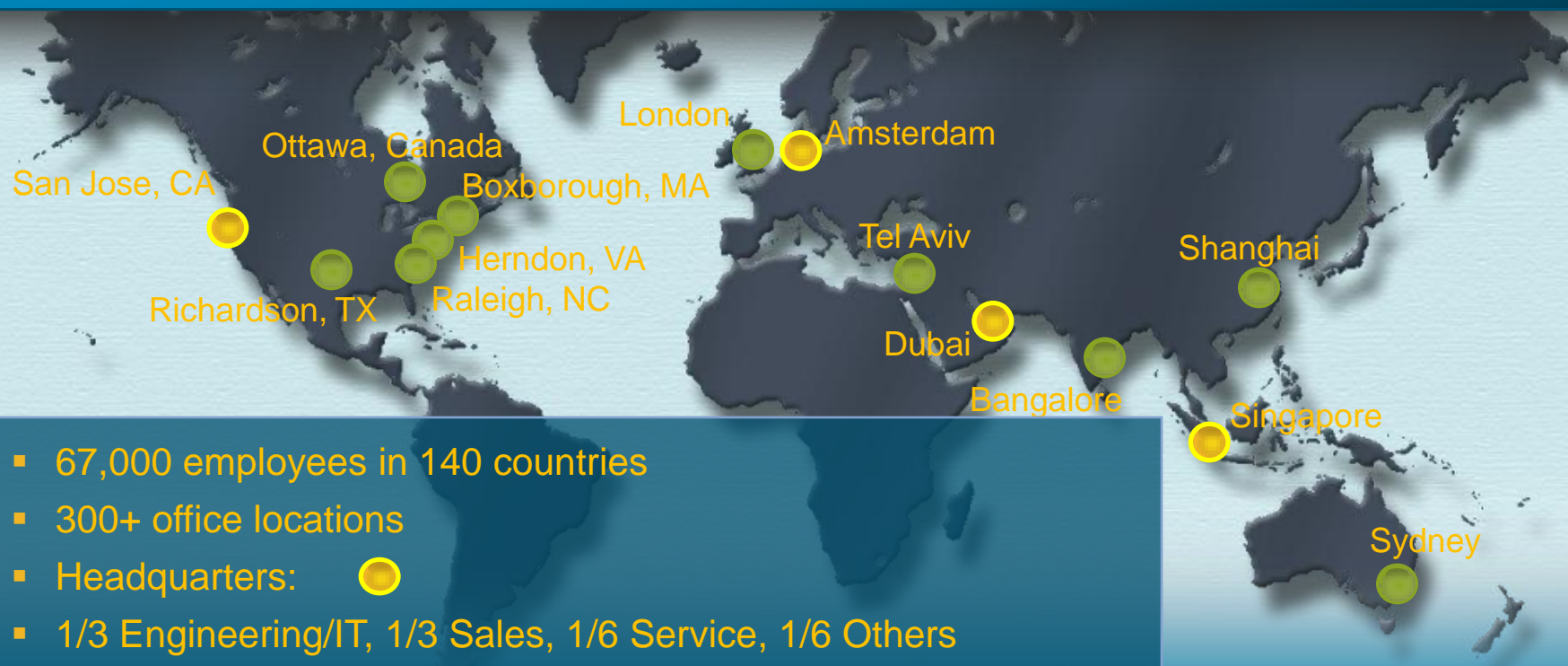**Results**

Closing

Introduction: Presenter

12 Years of Industry Experience, last 3 and half years at Cisco

Worked in different companies from small start-up to top fortune 100 companies

Currently working as Solution Architect, World-Wide Reverse Logistics, Cisco

Introduction: Company

- 67,000 employees in 140 countries
- 300+ office locations
- Headquarters:
- 1/3 Engineering/IT, 1/3 Sales, 1/6 Service, 1/6 Others

London
Amsterdam
Ottawa, Canada
San Jose, CA
Boxborough, MA
Tel Aviv
Shanghai
Herndon, VA
Richardson, TX
Raleigh, NC
Dubai
Bangalore
Singapore
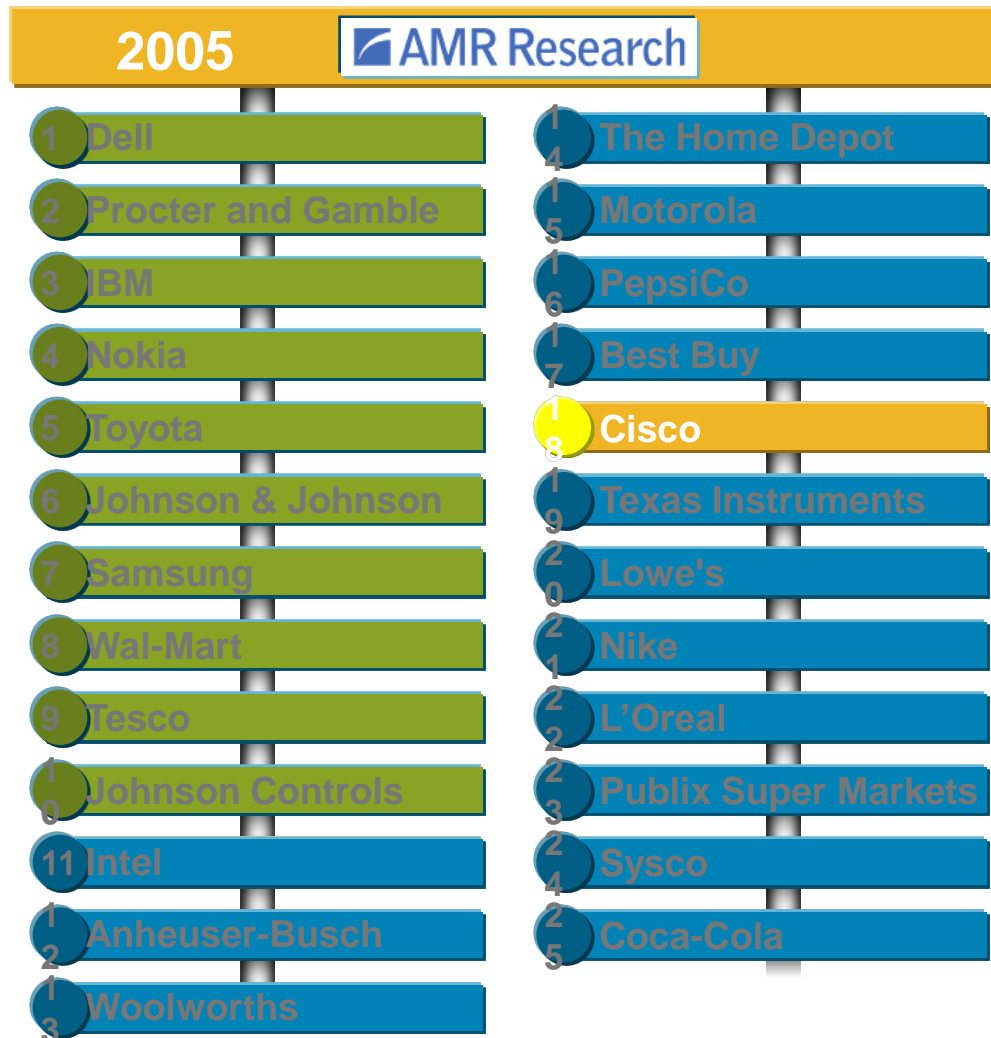Sydney

Cisco at a Glance

Vision: Changing the way we work, live, play and learn

- Worldwide leader in networking for the Internet

- Founded in 1984

- $110B Market Cap (Jan '09)

- $29 B cash and investments

- More than $5 B/year in R&D

- 10 consecutive years on Fortune Magazine's "Best Companies to Work For" list

- 130+ acquisitions

- 85+% of Cisco Systems products are distributed via channels

- Business Week valued Cisco's brand at US$19.1 billion and ranked in top 20 WW
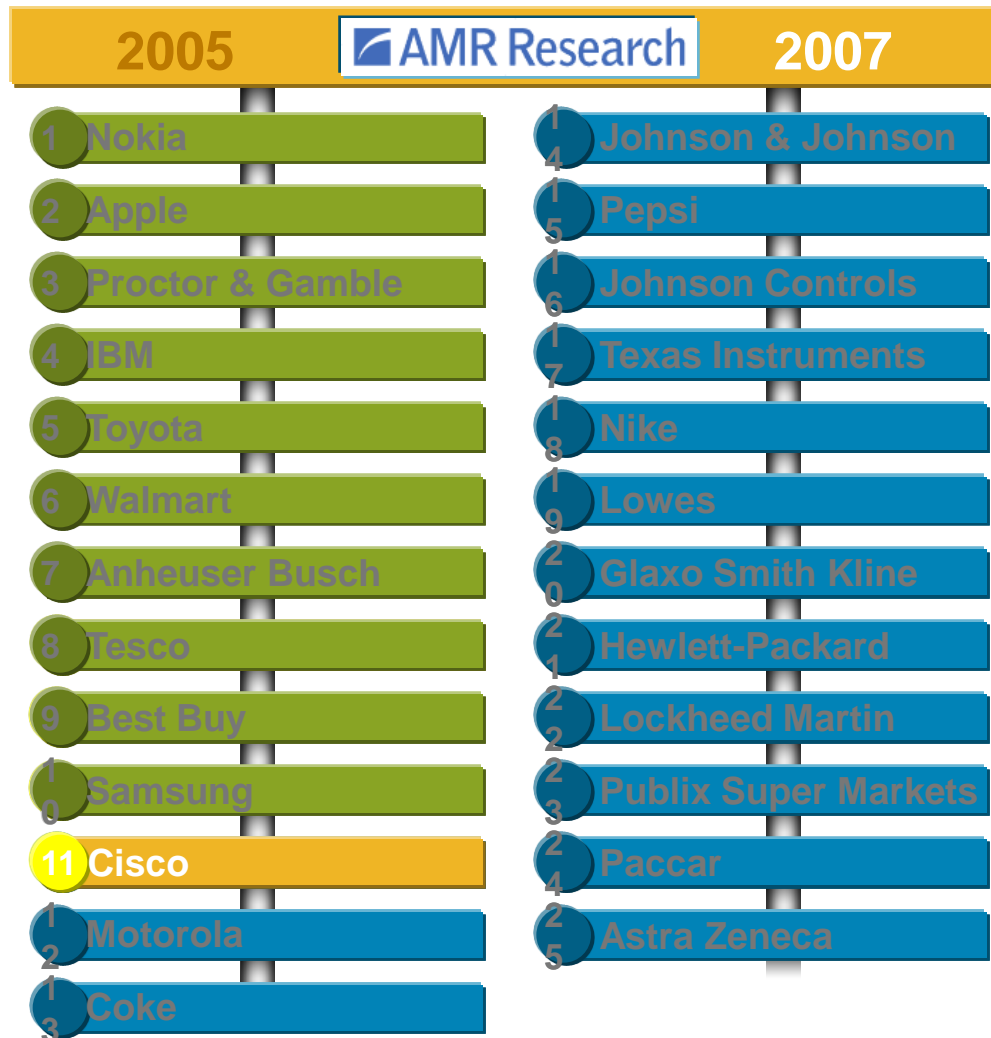
AMR Research—Top 25 Supply Chains 2007 Ranking:

2005

AMR Research

1. Dell
2. Procter and Gamble
3. IBM
4. Nokia
5. Toyota
6. Johnson & Johnson
7. Samsung
8. Wal-Mart
9. Tesco
10. Johnson Controls
11. Intel
12. Anheuser-Busch
13. Woolworths

14. The Home Depot
15. Motorola
16. PepsiCo
17. Best Buy
18. Cisco
19. Texas Instruments
20. Lowe's
21. Nike
22. L'Oreal
23. Publix Super Markets
24. Sysco
25. Coca-Cola

Source: AMR Research, 2007

AMR Research—Top 25 Supply Chains 2008 Ranking:

2005	AMR Research	2007
1 Nokia		14 Johnson & Johnson
2 Apple		15 Pepsi
3 Proctor & Gamble		16 Johnson Controls
4 IBM		17 Texas Instruments
5 Toyota		18 Nike
6 Walmart		19 Lowes
7 Anheuser Busch		20 Glaxo Smith Kline
8 Tesco		21 Hewlett-Packard
9 Best Buy		22 Lockheed Martin
10 Samsung		23 Publix Super Markets
11 Cisco		24 Paccar
12 Motorola		25 Astra Zeneca
13 Coke		

Source: AMR Research, 2008

AMR Research—Top 25 Supply Chains 2009 Ranking:
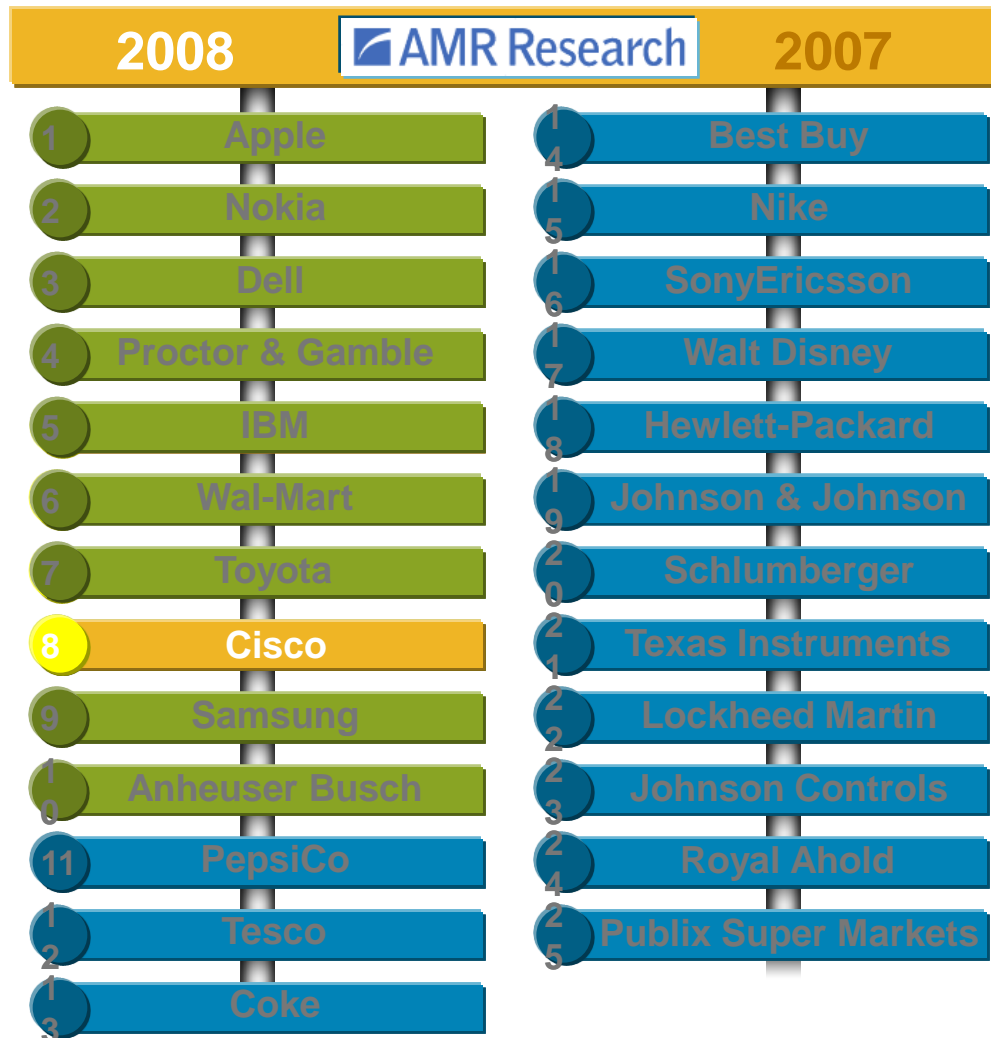
2008	AMR Research	2007
1 Apple		14 Best Buy
2 Nokia		15 Nike
3 Dell		16 SonyEricsson
4 Proctor & Gamble		17 Walt Disney
5 IBM		18 Hewlett-Packard
6 Wal-Mart		19 Johnson & Johnson
7 Toyota		20 Schlumberger
8 Cisco		21 Texas Instruments
9 Samsung		22 Lockheed Martin
10 Anheuser Busch		23 Johnson Controls
11 PepsiCo		24 Royal Ahold
12 Tesco		25 Publix Super Markets
13 Coke		

Source: AMR Research, 2009

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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

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".

Drivers

- Lower Product Return Rate after booking

- Brand Protection / Gray Market Risk

- Value Recovery Opportunities

- Building new Customer Base

Cisco's Complex Supply Chain

Hybrid Production Model (95% Outsourced)

Wide range of Products

Most Products Are Configured to Order

Breadth of Customers

Acquisition Integration (131 to date)

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Approach: Scale

Volume: 30,000 Units received each week

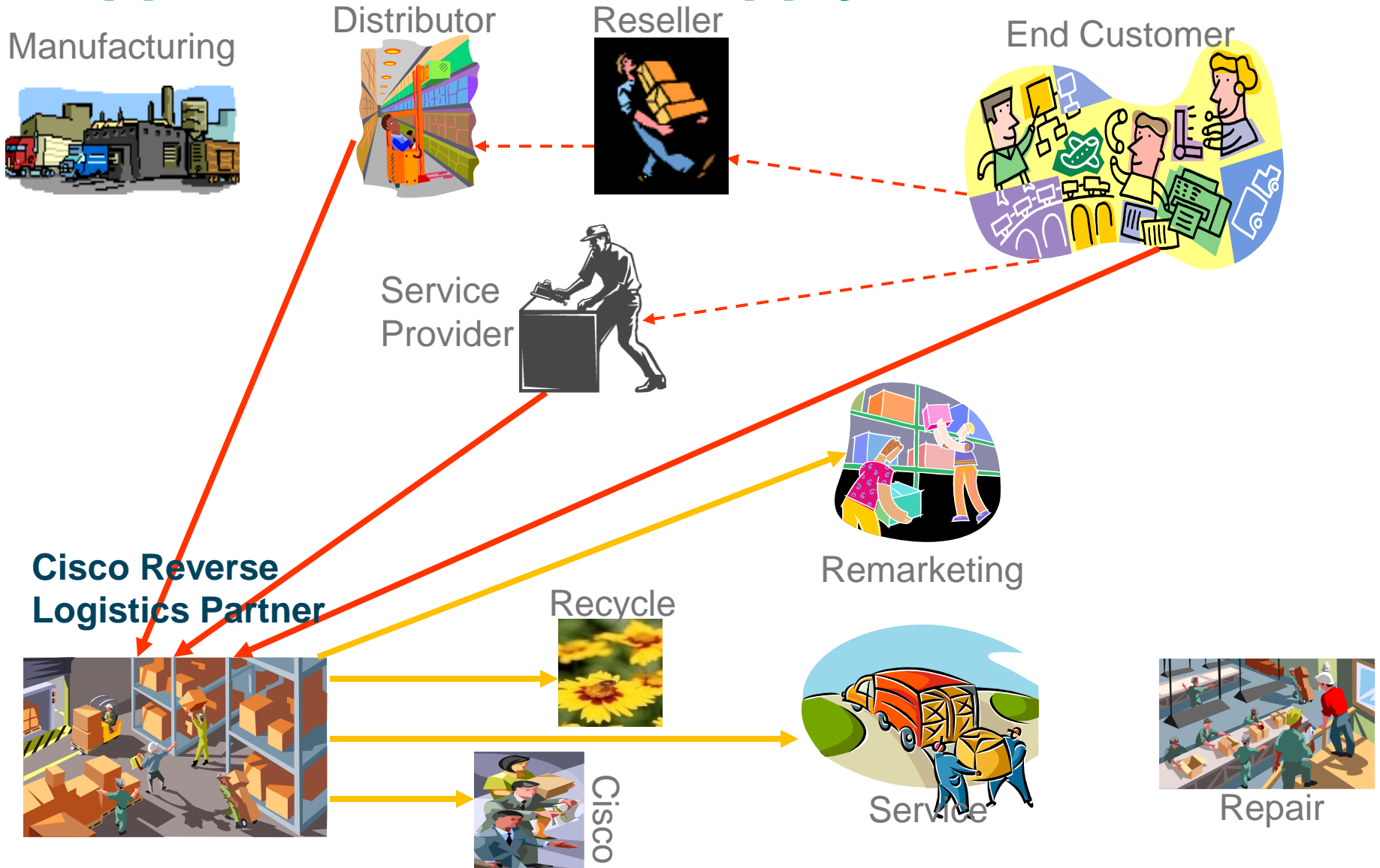**Social Responsibility:** 22,000,000 Lbs of material recycled annually

Value Recovery: $100,000,000 Net Contribution annually

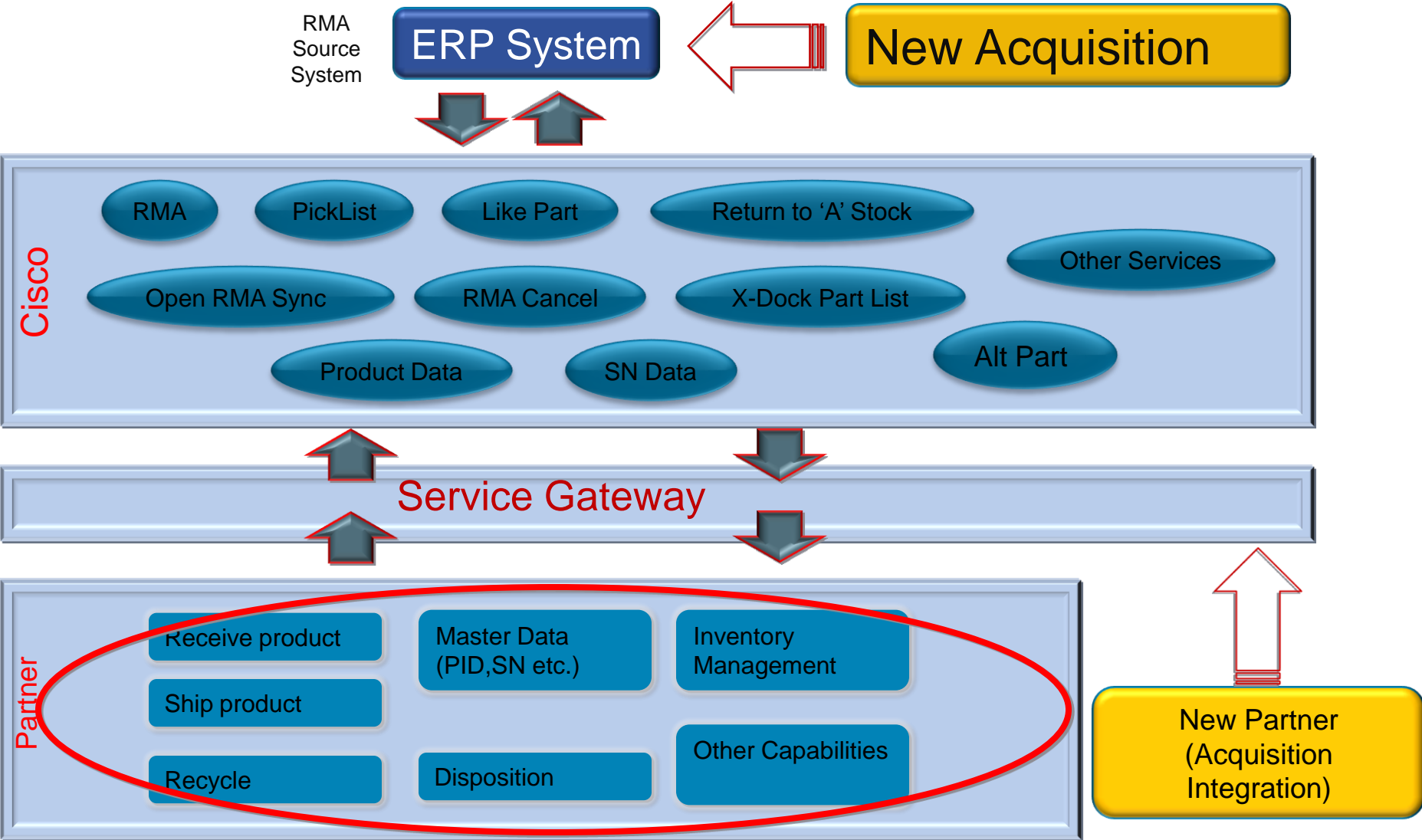Note: These numbers exclude products from consumer acquisitions' like Linksys

Approach: Process Verticals

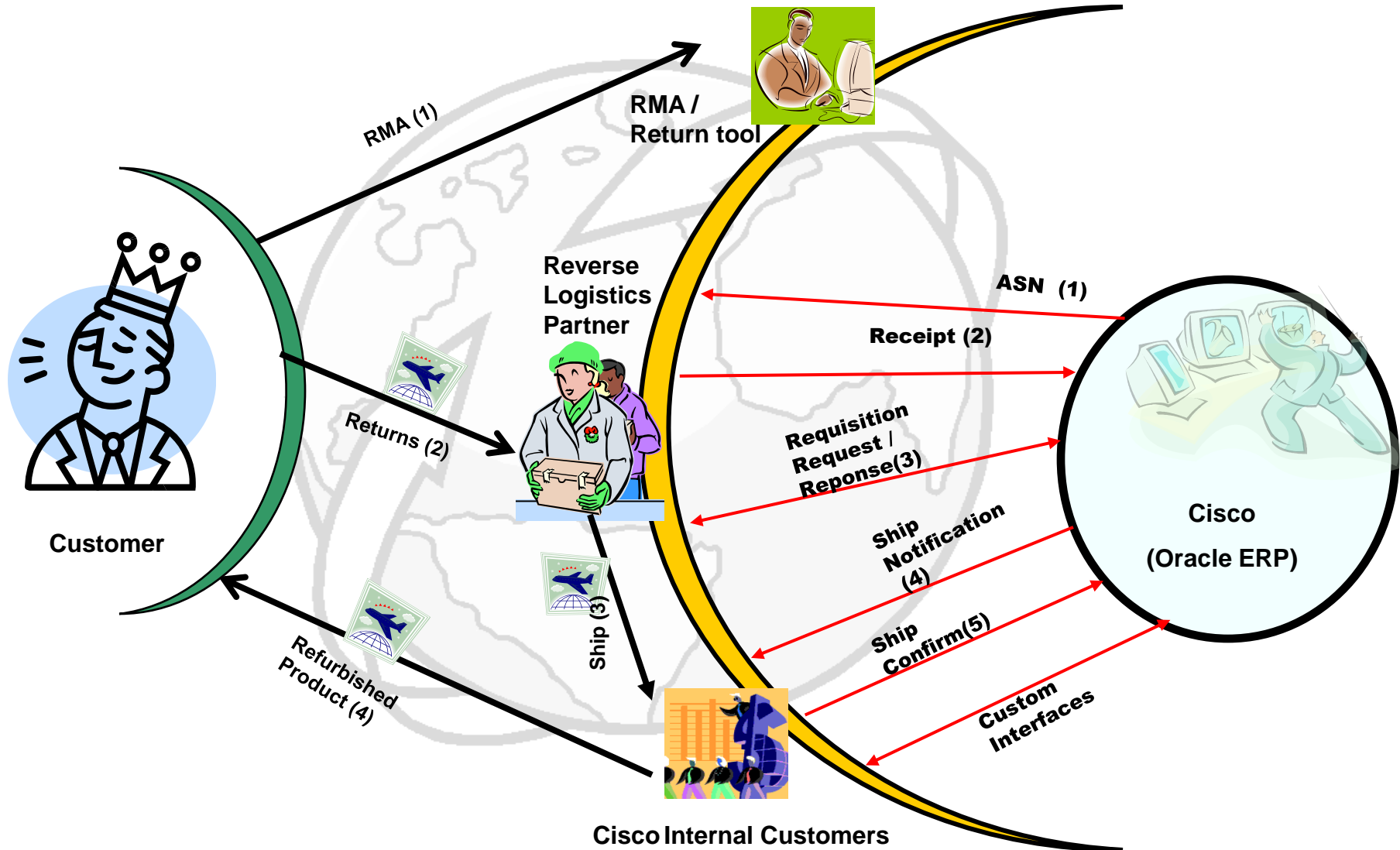|	
Inbound Logistics	Customer Product Returns Management, Management of product returns in transit to receiving location – Inbound
Receiving & Disposition	On-dock receipt to put away as per disposition instructions
Express Screening & Testing	Repair order management, Express Test NPI process, Shop floor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

Approach: Reverse Supply Chain

Manufacturing

Distributor

Reseller

End Customer

Service Provider

Cisco Reverse Logistics Partner

Remarketing

Recycle

Cisco

Service

Repair

Approach: Architecture Direction

RMA Source System

ERP System

New Acquisition

Cisco

- RMA
- PickList
- Like Part
- Return to 'A' Stock
- Other Services
- Open RMA Sync
- RMA Cancel
- X-Dock Part List
- Product Data
- SN Data
- Alt Part

Service Gateway

Partner

- Receive product
- Ship product
- Recycle
- Master Data (PID,SN etc.)
- Disposition
- Inventory Management
- Other Capabilities

New Partner (Acquisition Integration)

Approach: Reverse Logistics Interactions

RMA (1)

RMA / Return tool

Reverse Logistics Partner

ASN (1)

Receipt (2)

Returns (2)

Requisition Request / Reponse(3)

Customer

Ship Notification (4)

Cisco (Oracle ERP)

Ship (3)

Ship Confirm(5)

Refurbished Product (4)

Custom Interfaces

Cisco Internal Customers

Approach: Challenges/ Gaps

- Implementation Challenges
  1. Short Time To Market
  2. Evolving Business Model
  3. Unavailability of Out Of Box Functionality in Oracle modules
  4. New Reverse Logistics Partner On-boarding

- Gaps in Oracle functionality
  1. Like Part Processing
  2. Pro-Active Asset Recovery Functionality
  3. Business Rules Driven Supply Demand match engine

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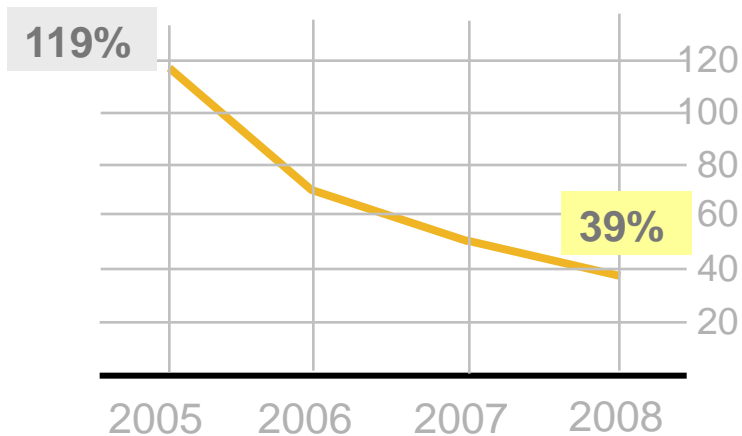
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Solution Benefits

- Bring new customer into Cisco

- Recycling – Green Initiative

- Improved Process Efficiency

- Reduced Transaction Cost By ~ 30%

- Enhanced Customer Experience
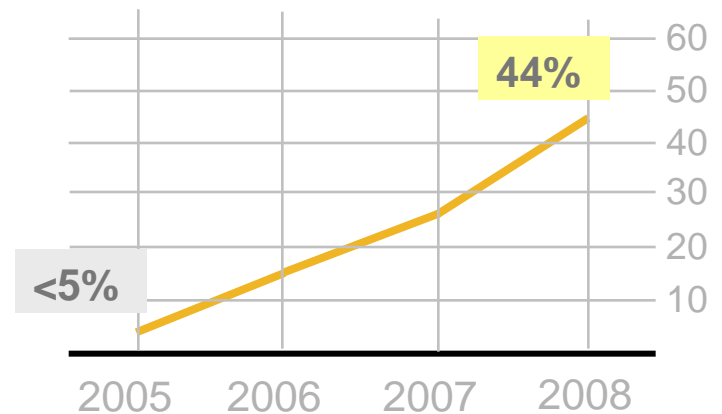
- Improved Process for Product Reuse

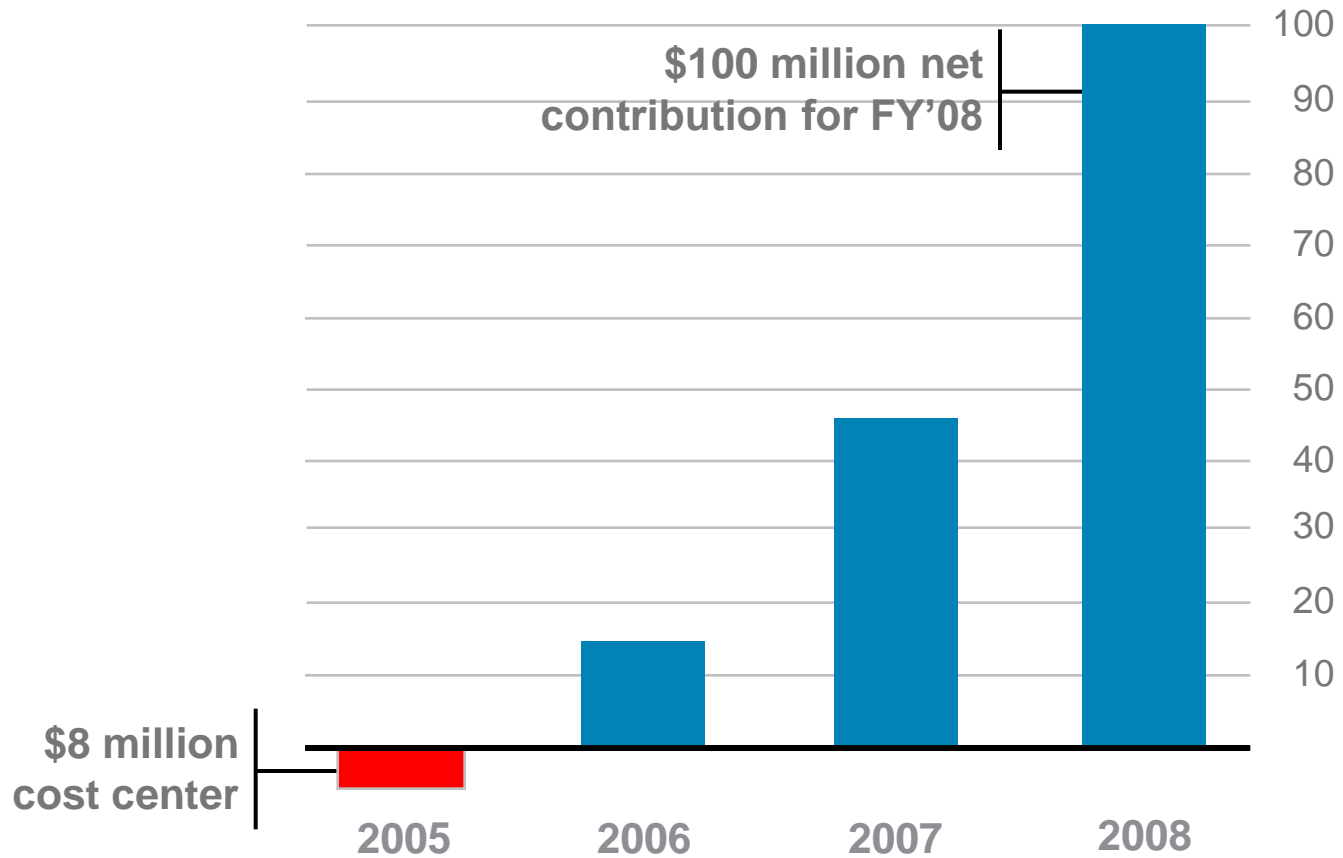# Reward: OpEx and Re-use

Operating Expenses

Product Re-use

119%

120
100
80
60
40
20

39%

2005   2006   2007   2008

Decreased Operating Expenses
(as a percentage of value recovered).

44%

<5%

60
50
40
30
20
10

2005   2006   2007   2008

Increased Re-use of returned product.

Reward: Cost Center to Profit Center

$100 million net contribution for FY'08

$8 million cost center

	2005	2006	2007	2008

Chart axis: 10, 20, 30, 40, 50, 60, 70, 80, 90, 100

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Closing: Recap

- Took about 18 months to complete this project

- Built end to end Cisco's Reverse Logistics Supply Chain

- On-boarded new partner

- Services based Architecture

- Converted Cost Center to a Profit Center

And the Journey Continues…

Q & A

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