

Dissertation Report on
STUDY OF REVERSE LOGISTICS IN
TRADITIONAL AND NEW FORMS OF
RETAIL OUTLET

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CERTIFICATE FROM THE INSTITUTE

This is to certify that the Project Report titled Study of Reverse Logistics in Traditional and new form of Retail outlets, is a bonafied work carried out by Mr. Ashish Kumar Rout of MBA 2012-14 and submitted to Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 in partial fulfilment of the requirement for the award of the degree of Masters of Business Administration.

Signature of Guide
(DSM)

Signature of Head

Place

Seal of Head

Date

DECLARATION

I Ashish Kumar Rout, student of MBA 2012-14 of Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 declare that Summer Internship Report on Study of Reverse Logistics in Traditional and new form of Retail outlets submitted in partial fulfilment of Degree of Masters of Business Administration is the original work conducted by me.

The information and data given in the report is authentic to the best of my knowledge. This report is not being submitted to any other University for award or any Degree, Diploma and Fellowship.

Ashish Kumar Rout

Place

Date

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I have definitely put my efforts in this project. However, it would not have been possible without the kind support and help of many other individuals. I would like to extend my sincere thanks to all of them.

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Ashish Kumar Rout

Place

Date

EXECUTIVE SUMMARY

The dissertation project of a management student plays an important role to develop him into a well groomed professional. It gives theoretical concepts a practical shape in the field of applications. The report contains the study of reverse logistics which is an integral and important part of any supply chain. The report title is “Study of Reverse Logistics in Traditional and new form of Retail outlets”. This report gives an overview of reverse logistics in India, its importance, current scenario and future scope in retail industry.

The study was conducted to know the reverse logistics process in small traditional and new forms of retail outlets. One of the objectives was to study the recent trends that exist in e-Retail format in India and how political, social, economical and technological factors are affecting reverse logistics.

The project began with the secondary research by reading various journals related to reverse logistics. Authentic data were collected through various sources and then inferences were drawn. Then schedule of interview was prepared to gather the information from various store managers, inventory managers, shopkeepers of various retail outlets. Though the interview was unstructured the basic emphasis was on reverse logistics system of their company. Before that few questions were noted down in mind so that the discussion would be within the objective premises. After that data were collected and inference was drawn.

This study gives us a picture of Reverse Logistics that is prevailing in India. There are different types of retail formats in India, but in every format Reverse logistics plays an important role. The basic problems faced by many E-Retailers are highlighted in the study and possible solutions the the 3rd party logistics team have also approached are discussed in the study. Apart from that the study also analyses the data collected from various supermarket inventory and store managers, kirana shopkeepers about reverse logistics.

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1. INTRODUCTION

It is no surprise that almost every company is looking for ways to increase sales, decrease costs and reduce risks. But in such tough economic times, the easy cuts have been made and all of the simple process improvements have been put in place. Enter reverse logistics, an often overlooked process that can help companies reduce waste and improve profits.

Reverse logistics is defined as the processes of receiving returned components or products for the purpose of recapturing value or proper disposal. Reverse logistics processes and plans rely heavily on reversing the supply chain so that companies can correctly identify and categorize returned products for disposition, an area that offers many opportunities for additional revenue. It is much more than simply counting defective items returned by customers. Also, it is much more complex than outbound shipping in that customers and/ or consumers initiate a return, making it an inbound shipment process that is less predictable. The science of reverse logistics includes return policy administration, product recall protocols, repairs processing, product repackaging, parts management, recycling, product disposition management, maximizing liquidation values and much more.

And yet reverse logistics seldom receive much attention — that is, until something goes wrong. Many executives go out of their way to avoid dealing with returns because it can be ugly and is thought of as nothing more than a cost of doing business. What many fail to realize is that the average manufacturer will spend 9% to 15% of total revenue on returns, according to a 2010 Aberdeen Group study. They are often unaware of the impact returns management can have on their customers, their resources or their bottom line. In fact, improving reverse logistics can help company increase revenue up to 5% of total sales.

If ignored, critical reverse logistics functions can cost companies millions in lost profits due to damaged customer relationships and external liabilities that could have an enormous impact on their business. Effectively managed, however, reverse logistics can enable organizations to find hidden profits, improve customer satisfaction and minimize liabilities.

2. LITERATURE REVIEW

Reverse logistics stands for all operations related to the reuse of products and materials. It is "the process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of consumption to the point of origin for the purpose of recapturing value or proper disposal. More precisely, reverse logistics is the process of moving goods from their typical final destination for the purpose of capturing value, or proper disposal. Remanufacturing and refurbishing activities also may be included in the definition of reverse logistics. The reverse logistics process includes the management and the sale of surplus as well as returned equipment and machines from the hardware leasing business. Normally, logistics deal with events that bring the product towards the customer. In the case of reverse logistics, the resource goes at least one step back in the supply chain. For instance, goods move from the customer to the distributor or to the manufacturer.

When a manufacturer's product normally moves through the supply chain network, it is to reach the distributor or customer. Any process or management after the sale of the product involves reverse logistics. If the product is defective, the customer would return the product. The manufacturing firm would then have to organise shipping of the defective product, testing the product, dismantling, repairing, recycling or disposing the product. The product would travel in reverse through the supply chain network in order to retain any use from the defective product. The logistics for such matters is reverse logistics.

In today's marketplace, many retailers treat merchandise returns as individual, disjointed transactions. "The challenge for retailers and vendors is to process returns at a proficiency level that allows quick, efficient and cost-effective collection and return of merchandise. Customer requirements facilitate demand for a high standard of service that includes accuracy and timeliness. It's the logistic company's responsibility to shorten the link from return origination to the time of resell. By following returns management best practices, retailers can achieve a returns process that addresses both the operational and customer retention issues associated with

merchandise returns. Further, because of the connection between reverse logistics and customer retention, it has become a key component within Service Lifecycle Management (SLM), a business strategy aimed at retaining customers by bundling even more coordination of a company's services data together to achieve greater efficiency in its operations.

2.1 REVERSE LOGISTICS DEFINATION

Logistics is defined by The Council of Logistics Management as:

The process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements.

Reverse logistics is more than just returns management; it is "activities related to returns avoidance, gatekeeping, disposal and all other after-market supply chain issues". Returns management — increasingly being recognized as affecting competitive positioning — provides an important link between marketing and logistics. The broad nature of its cross-functional impact suggests that firms would benefit by improving internal integration efforts. In particular, a firm's ability to react to and plan for the influence of external factors on the returns management process is improved by such internal integration. In a firm's planning for returns, a primary factor is the remaining value of the material returning and where it may re-enter the supply chain. "Returned goods, or elements of the product, could even be returned to suppliers and supply chain partners for them to re-manufacture".

Third-party logistics providers see that up to 7% of an enterprise's gross sales are captured by return costs. Almost all reverse logistics contracts are customized to fit the size and type of company contracting. The 3PL's themselves realize 12% to 15% profits on this business.

"Studies have shown that an average of 4% to 6% of all retail purchases are returned, costing the industry about \$40 billion per year."

2.2 IMPORTANCE OF REVERSE LOGISTICS

Many executives compare the amount of money spent processing returns to other supply chain activities and conclude that investing resources elsewhere would yield greater results. Therefore, they just focus on trying to reduce the cost of returns processing.

In reality, reverse logistics costs are less than 4% of total supply chain costs for most companies. And while maximizing efficiency is always important, reverse logistics can also provide a wide variety of opportunities for improvements, from customer service and returns processing to supplier relations and an unexpected revenue source. Broadly speaking, there are several key areas where companies can positively impact revenue with reverse logistics activities:

» **Returns-to-Revenue:** Companies that ensure timely delivery and processing of returns position themselves to save more or earn more from the returned product. From refurbishing, repackaging and reselling to parts reclamation and recycling, returned products are often untapped sources for revenue. With the secondary, discount market for products continuing to grow, there are even more reasons to think about returns as revenue opportunities.

» **Protecting Profits:** Handling returns properly and tracking all activities are critical to help companies avoid fines and penalties from various government regulatory agencies such as the FDA, the Consumer Product Safety Commission and other state and federal agencies. In fact, the largest fine to date was issued by the EPA against one of the largest e-waste handlers in New Jersey, totalling nearly \$500,000 in USA.

» **Customer Loyalty:** According to a nation-wide survey conducted in 2005, 95% of customers will not buy from a company if they have a bad returns experience.⁵ This, in part, explains why companies considered best-in-class in reverse logistics enjoy a 12% advantage in overall customer satisfaction over their competition.

» **Disposal Benefits:** Knowing what is returned and where it ends up makes it easier for companies to deal with regulatory issues and evaluate returned stock for possible secondary sales channels. There are also other beneficial byproducts to disposing of products, such as avoiding excess inventory carrying costs, minimizing taxes and insurance, and managing staff levels.

» **Maximize Recovery Rates:** Mishandled or completely misplaced returns affect the efficiency of any reverse logistics process, but also means that products could end up being a total loss for a company instead of an opportunity for resale or a spare parts resource.

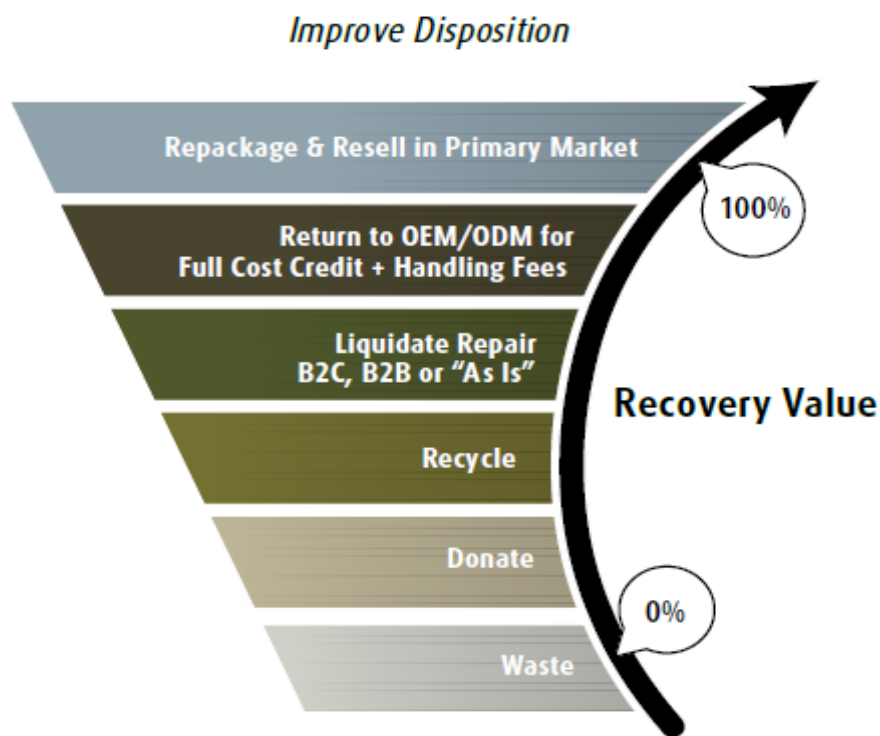


Figure 1.1 Recovering value through Reverse Logistics

It may surprise many executives, but truly defective returns are often less than 20% of the products processed through a returns centre. The rest of returns fall into several categories that also must transverse the reverse logistic pipeline, each with their own unique challenges and opportunities. These include recalled products, end-of-life products, seasonal returns and parts. The volume of some of these categories, such as recalled products, can be significantly larger than the number of units

returned by customers and often has significantly greater potential liability associated with it.

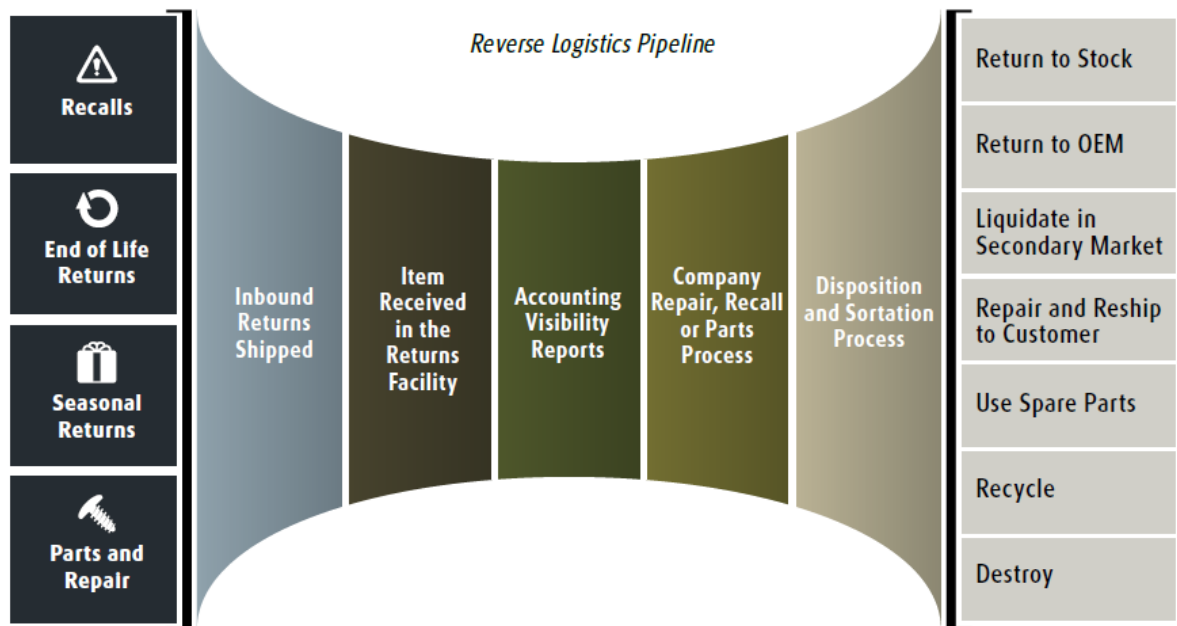


Figure 1.2 Reverse Logistics Pipeline

Recalls

For manufacturers in today’s world, it is not a matter of if they will have a product recalled; it is only a matter of when they will have a product recalled. In 2010 there were more than 1,000 different items recalled from the marketplace by various U.S. government regulatory agencies. Among others, these included recalls for toys, pharmaceuticals, consumer electronics, medical devices and automotive parts. The reasons for the recalls ranged from issues with packaging and warning labels to hazardous conditions created by the products. Common recall issues in the electronics industry range from batteries that pose health risks for consumers to potential fire hazards due to faulty electronics and construction.

In addition to fines and penalties from regulatory agencies, there can be even greater potential liabilities from lawsuits and the impact on company sales from bad press. Minimizing all of these potential risks from recalled products is a major driver behind the need to develop a comprehensive reverse logistics program.

End-of-Life Products

End-of-life programs are used to pull older, outdated products from the primary sales channel in order to make way for new models. This is often the case for product categories such as consumer electronics, household goods, software, security equipment and electronic accessories. End-of-life programs provide a process that will enable the manufacturer to keep the latest products on the market while ensuring older models are removed from the market in a controlled fashion. This helps maintain a company's brand image and provides a measure of control over obsolete goods and their final disposition. This category also offers an excellent opportunity for companies to reclaim spare parts or resell in secondary channels.

Seasonal Products

There are many organizations that depend on a particular season to drive sales. They often provide special packaging to promote their products and plan on repackaging any unsold inventories for sale the following season. Unsold items are recalled by either the original manufacturer (OEM/ODM) or the wholesaler as stipulated in the original sales agreement.

Some product categories, such as soft lines, are sold on the secondary market immediately following the prime selling season. Other products, such as consumer electronics, powered equipment and fragrances, are repackaged and sold in the primary target market within days of being returned. OEM's of all sizes rely on seasonal recall programs to maximize sales, often providing their customers with guaranteed sales options that drive margin to both the buyer and seller.

Parts

Parts fall into the last category of assets that depends on a company's reverse logistics program. Companies with significant field repair operations can expect 16% of all parts to be returned.⁴ Of the parts that are returned, studies have found that roughly 25% are inspected, repaired, and/or quickly sent back out to the field for use. Reverse logistics programs enable OEMs and ODMs to reduce their overall investment in parts while maintaining the highest level of service, especially in repair networks that depend on the availability of parts. Providing a way to return unused, reclaimed, overstocked or defective parts streamlines the repair process and minimizes the investment by both manufacturers and field service companies.

In all of these categories, reverse logistics is much larger and includes a broad range of assets that, taken together, can have a significant impact on a company's bottom line. It is worth repeating that while the cost of processing returns is less than 4% of total logistics costs, high-tech companies can average a recovery value of 28% on returned assets and enjoy a 12% competitive advantage in overall customer satisfaction with best-in-class reverse logistics.

2.3 REVERSE LOGISTICS CHALLENGE

The various challenges of Reverse Logistics are

2.3.1 RETAILER MANUFACTURER CONFLICT

One of the difficulties in managing returns is the difference in the objectives of manufacturers and retailers. The distance between them on many issues can make the difference seem like a chasm.

Whenever a retailer wants to return an item, the retailer and the manufacturer may disagree on any one of the following:

- Condition of the item
- Value of the item
- Timeliness of response

Often from the retailer's perspective, every product was sent back in pristine condition, and any damages must have occurred in transit or must be manufacturing defects. The manufacturer may suspect the retailer of abusing return privileges because of poor planning, or of returning product damaged by the retailer. Once the condition of the item is agreed upon, the value that the retailer should receive must be determined. The retailer may claim full credit, and the manufacturer may have a dozen reasons why it should not receive full credit. These issues can be difficult to sort out. After they have all been decided, the refund never comes quickly enough to suit the retailer.

Retailer returns to the supplier are a method of reducing inventories near the end of a quarter. Retailers may suddenly move material back to the supplier, or at least notify the supplier that they are going to do so, and negotiate the details later. For

similar reasons, manufacturers can be slow to recognize returns as a subtraction from sales. They may want to delay returns until a later accounting period, or, they may not want to credit the returned items at their full price. Sometimes the retailer simply deducts the cost of the items from an invoice. Often, that invoice is not the same one for the goods being returned.

In the end, both parties need to realize that they have to develop a working partnership to derive mutual benefit. Obviously, neither can live without the other; they need to work together to reduce the number of returns coming back and speed up the processing of those that do come back. Inefficiencies that lengthen the time for processing returns cause harm to both firms.

2.3.2 PROBLEM RETURN SYMPTOMS

Dr. Richard Dawe of the Fritz Institute of International Logistics identified six symptoms of problem returns which are mentioned as below

Symptoms

- Returns arriving faster than processing or disposal
- Large amount of returns inventory held in the warehouse
- Unidentified or unauthorized returns
- Lengthy processing cycle times
- Unknown total cost of the returns process
- Customers have lost confidence in the repair activity.

If a large amount of returns inventory is being held in the warehouse, clearly there is a problem with the way the firm is handling returns. If a large number of unauthorized or unidentified items are being discovered, again, there must be a significant problem with the return process. Piles of unprocessed returns are easy to observe.

Unfortunately, some of these other symptoms Dr. Dawe identified are not as easily observed. One of the findings of this research is that shortening returns processing time is important for handling returns well. If firms do not monitor the length of their processing cycle times, they have no way to determine how well they are doing in

this area. One of the biggest challenges facing firms dealing with reverse logistics is a lack of information about the process. Again and again, we have seen companies that do not have any formalized systems for monitoring their reverse logistics activities. As the old saying goes, if you aren't measuring it, you aren't managing it.

2.3.3 CAUSE AND EFFECT

Poor data collection leads to uncertainty about return causes. In the long run, the most valuable outcome of sound reverse logistics management is the accumulation of data. Improving the return process and efficiently handling the returned products decreases costs. However, being able to see defective products and to track return issues by reason codes can be more useful than simply improving return handling efficiencies.

In forward distribution, it is more important to be able to manage information effectively than to manage inventory. Generally, those firms that manage information well also manage their inventories effectively. Those that do not manage well the data surrounding their logistics processes, do not generally manage their inventories effectively. This same rule applies to reverse logistics as well.

2.3.4 REACTIVE RESPONSE

Over the last few years, many companies have practiced reverse logistics primarily because of government regulation or pressure from environmental agencies; not for economic gain. For most of these companies, reverse logistics has not been as strongly emphasized as other business activities.

For many firms, it has not been possible to justify a large investment in improving reverse logistics systems and capabilities because generally, not enough analysis is completed. Like the captain of the Titanic, whose disregard of iceberg warnings brought so much devastation, executives usually disregard reverse logistics issues.

2.4 REVERSE LOGISTICS IN INDIA

India is a big country with big challenges. Just picture it; one sixth of the world's population residing in a country only one third the size (by land mass) of the US divided into 28 individual states, each with its own intricate tax and governmental regulations. It is estimated that by the late 2020s, India will overtake China as the most populated country across the globe. Although, like China, the entire country adheres to a single time zone (India Standard time, or IST, is 5.5 hrs ahead of Greenwich Mean Time) there are 18 major languages and over 840 regional dialects spoken in comparison to China's one.

As has been seen time and time again in booming hi-tech economies elsewhere around the globe, the message from retailer, distributor, and OEM management since the dawn of the sales explosion has been simple: sell as much as possible, as quickly as possible and dominate the market share. The reverse logistics industry has been left in the shadows, and senior management are only now starting to realise the complexity and heartache involved with setting up an efficient service supply and return network.

THE INDIAN MARKET

As many multinationals have found upon starting operations in India, embracing local operations and regulations rather than fighting them is the key to launching successful operations. A simple “cut and paste” from other regional operations will stand little chance of success in India. In the logistics market, both DHL and TNT Express have launched renewed focus on the India market, and both have acquired established local Indian 3PLs in order to ensure that they have the local reach and infrastructure (TNT acquired Speedage, whereas DHL bought out Bluedart), leaving Gati and Safex as the only remaining Indian 3PLs with recognised national coverage. Specialised Indian reverse logistics companies such as RT Outsourcing Services have grown in response to the niche service environment bridging the gap between 3PL and 3PSP.

The retail sector is dominated by the conglomerate Indian giants of Reliance, Future Group, Subiksha and Tata as well as the growing presence of many international chains; Wal-mart, Carefour and now Tesco. The Associated Chambers of Commerce

and Industry of India announced that the retail industry enjoyed a growth rate of 25-28% in 2007, reaching a year end value of approx \$300bn (USD), although remarkably due to the infrastructure and logistical issues less than 5% of all product sales occur through organised retail distribution channels.

The mobile telecoms market is a jumble of international and Indian players, with the operator market dominated by the latter. There are over 10 carriers bidding for customers including the sole multinational representative Vodafone who compete with the Indian brands of Airtel, Reliance, BSNL (state owned carrier), Tata and Idea Cellular. Yes, that's the same Tata and Reliance who dominate the retail industry (as well as the automotive, oil, tea, steel, power, appliances, and IT industries to boot!). The handset OEM race is dominated by Nokia against fierce competition from the usual suspects (LG, Samsung and Sony Ericson) but all have been frantically trying to keep up with the ever growing penetration rate of mobiles to consumers.

KEY CHALLENGES FACED IN SETTING UP REVERSE LOGISTICS NETWORK

The greatest challenge faced by all in the Indian supply chain (forward or reverse) is geographical constraints. There are significant infrastructural issues with anything past a C or D tier city; communication, transportation reach, power supply and connectivity are intermittent at best. There are massive supply and return issues with 73% of the ever growing population living in rural areas, hence the reason that only 5% of sales are through organised retail channel. This drives the question: is it acceptable to get 5% of returns through organised channels?

Disparities between tax regulations of individual states cause further woe. You can spend months trying to understand the different tax rules and regulations across states and still be none the wiser, as they seem to change constantly. The government is currently introducing measures to reduce this pain by standardising VAT across India and abolishing the colonial status of the "Octroi" status of Maharashtra (one of the a states) which impose further taxes and restrictions on goods shipments.

The effect of consumer demand is also significant. In the consumer goods industry it is thought that over 80% of Indian demand for products is for mid to low order goods, so product mix is often not comparable to other geographies. However, the lower end product ranges does not necessary point towards swap rather than repair policies as it might in western countries; labour costs in India are low and many OEMs choose to manufacture parts within India to avoid cumbersome import regulations and costs.

Electrical consumer goods tend to face particularly high return rates due to the fluctuating power supply across India, which surges as much as it intermittently cuts out. This leads to decreased "No Fault Found" rates for power related faults, further affecting material re-utilisation and repair strategies.

The impact of all these limitations must reflect in the reverse logistics strategy of any OEM, retailer or distributor, and perhaps this is why many multinationals struggle to adjust to the Indian climate. In an industry governed by turn-around-times, the concept of centralised returns hubs and repair facilities in such difficult logistical conditions must be carefully planned, assessed, and agreed with all parties before engaging first gear. The challenges for logistics begin with recognition that only 50% of the roads are paved, and that moving product between states requires complex navigation of disparate governance and documents.

Perhaps the saving grace up until now (for OEMs and retailers anyway) has been the relative lack of consumer awareness about return policies and warranties. However, with the help of the internet, consumer understanding is increasing, causing OEMs such as Nokia, Sony Ericsson, Whirlpool, LG, Samsung, and Canon to inject significant investment towards building world class, realistic and sustainable reverse logistics infrastructures which can function in India's somewhat unique environment.

The RLA has now launched the India Focus Committee which is focused on creating a forum to both encourage and promote RL best practices and techniques followed across the globe in India.

3 OBJECTIVE OF THE STUDY

- To study reverse logistics, scope of its importance and barriers that are affecting it in India.
- To analyse political, economic, social and technological factors that are affecting reverse logistics in India.
- To study reverse logistics in e-Retail companies in India and to find few problems that these companies are dealing with.
- To study the existing reverse logistics process in traditional and new form of retail outlets.

4 RESEARCH METHODOLOGY

In detail, the procedure necessary for obtaining the information needed to meet the objective of the study has been explained.

RESEARCH DESIGN

In this research the main objective was to study the existing system of Reverse Logistics in India. There are various channels of Retailing in India like the traditional kirana stores, malls, hypermarket stores and currently the booming one E-Retailing. Before finalising the Objective of the study, an extensive study was done over exploratory research on Reverse Logistics. How Developed economies are doing it, what problem they have faced. Then the prevailing condition in India was analysed through both primary and secondary research.

4.1 Primary Research

The primary source includes interview scheduling with various respondents having face to face interaction. The questions were mainly unstructured type but were focused to collect more and more information about logistics system adopted by the company.

SAMPLE DESIGN

As the objective was to study Reverse Logistics in Retail sector, the sample consisted of companies that are directly or indirectly involved in it.

The study was conducted on major E-Retail companies like FLIPKART, JAABONG, YEBHI those who gave interviews in newspaper and articles about Reverse logistics. Apart from that views of few logistics analysts were also analysed to know the problems and solutions related to it. Views of 3rd party Logistics companies like GREEN DUST, DHL were also included to get a holistic view of Reverse Logistics. Few Start-ups views were also collected to their problems and their actions regarding RL.

For traditional and supermarket type Retail outlets, unstructured interview was carried out, though the information was not only related to Reverse logistics but their inputs were most valuable to complete this study successfully.

SAMPLING SIZE

E-Retail – 10 Companies

Supermarket, Malls – 10 Outlets

Kirana Store – 15 Shops

For E-Retail Sector, interviews and statements were collected from 10 companies that are directly associated with Reverse Logistics.

In Supermarket type Retail outlets 10 retail chain outlets were approached. 5 denied to share information as they said the information are very confidential. 5 big Retail outlets like PANTALOONS, PETER ENGLAND, BIG BAZAAR, SHOPPERS STOP, and MOTHER DAIRY shared information about their approach to Reverse Logistics.

Apart from that 15 Kirana stores were approached to know their perspective about Reverse Logistics and how they are managing it.

SAMPLING AREA

The sampling area was limited to North Delhi Markets like Rohini, Rithala, Kamala Nagar, NSP market. The constraint of time and money caused research sampling area to restrict to these areas only.

SAMPLING TECHNIQUE

Convenience sampling technique was used where the sampling units were chosen by the interviewer. It is the least expensive and least time consuming of all sampling technique.

4.2 Secondary Research

Secondary data have been collected through reports of various agencies that are working towards development of reverse logistics through both business and academic viewpoints. The published findings, from agencies like SAS, CMO council, DOMO with the aid of academic institutions like Ivey league universities, INSEAD, etc., provided a useful source of information. Various articles published in Howard Business Review, and the periodicals by Gartner Inc. were also useful sources of information.

PEST Analysis was basically carried out with the data that is collected through Secondary Research. This process involves collecting data from either the originator or a distributor of primary research. In other words, accessing information that others have already gathered.

Compared to primary research there are several advantages to the secondary approach, including ease of access and generally lower cost for acquiring the information.

Sources for secondary research are quite extensive. However, the Internet has changed how secondary research offering convenience, accessibility to a large array of information sources accesses, and generally low cost.

The project will be a result from contributions from various secondary sources which includes books, reference materials and websites.

5 ANALYSIS OF POLITICAL, ECONOMIC, SOCIAL AND TECHNOLOGICAL (PEST) FACTORS AFFECTING REVERSE LOGISTICS

Political, Economic, Social and Technological (PEST) analysis has been preferred to review the external factors that influence the reverse logistics business in India. The below factors and discussions signifies the main drivers of reverse logistics in India under each category.

Political

Indian government have started allocating funds for the development of industries and below are the some of the investment activities that act main drivers:

- Special economic zones for development of Logistics parks. (Mumbai, Kolkata, Chennai and Hyderabad etc.)
- National Highway Development Project
- Over all government spend has increased from USD 10 billion to 30 billion and is expected to rise in near future in the form of infrastructure projects and special economic zones
- Implementation of Extended Producer Responsibility as part e-waste management law. Other factors that political scenario can act as catalyst in improving the growth of reverse logistic industry are,
- On-going infrastructure development projects improves long-term prospects
- Supportive regulatory changes are catalysing growth by removing inefficiencies

Economic

Government economic policies always play a vital rule in the growth of the industry and below regulations getting enforced by government would enable the logistics industry growth

- End of indirect tax regime after implementation of GST. Other tax reforms like VAT

- The much-awaited implementation of the nationwide uniform Goods and Services Tax (GST) regime
- Low margins leading to underinvestment and risk aversion
- Growth in GDP and trade are the core drivers

It is not only sufficient that government bringing in laws, it also need to make sure they are enforced appropriately for example Goods and Services Tax (GST) which was scheduled to become effective from April 1, 2010 has been delayed by a year by the Union Government due to non-agreement of several State Governments on the proposed tax revenue sharing model between the Centre and the States. Implementation of GST is also expected to revamp the supply chain process and logistics infrastructure for majority companies in each industry.

Technological

Some of the technologies influencing the reverse logistics industry include:

- Basic inventory management packages and barcodes systems
- Warehouse management systems
- Transportation management systems
- Radio frequency identification
- Web enabled communications

As of 2010, only about two-thirds of the end users reported to using some form of technology solution to support their logistics functions. Usage of exclusive logistics technologies is significantly low across industries. India's logistics technology market is set to grow at 19.8 percent between 2010 and 2015, to cross \$ 600 million by 2015. This growth is driven by demand from the thriving logistics, retail and manufacturing sectors, as well as government promotion. However, these technologies are highly expensive, making them unaffordable for majority of logistics service providers and end users, thus limiting the full potential growth of the Indian logistics technology market.

Social

Currently there is less evidence of any highly active social organizations involved in playing a role for the e-waste management or creating awareness except for a non-profit organization called Indian environmental society (IES). IES focus is not only on e-waste but focuses on overall safeguarding of the environment like from industry pollution, cleanliness and so on. Creating awareness among societies is real indirect catalyst for the promotion of reverse logistics and this would require more focus from the government and as well non-profit organization

E-waste is conventionally defined as “any electrically powered appliance that fails to satisfy the current owner for its originally intended purpose” says Dr. Kioko Mang’eli in his paper Global Trends and Technologies in Electronic Waste Management by Genco University. Some of the ways that would help to create awareness as suggested by

Dr. Kioko Mang’eli are,

- Standards can be put in place to act as a tool for intervention for stakeholders and business.
- On regulatory and policy frameworks countries may use innovations such as ecolabelling as part of the regulatory and governance structure
- E-waste solutions proposed include creation of incentives to recycle, such as tax credits for recyclers, re-evaluation of program in a few years, (for example make it illegal to throw away e-waste if adequate recycling infrastructure is available to public) and ensuring legislation mandates, creation of recycling centres and development of re-use incentives which are noticeably absent.

India has seen a dramatic change in laws for handling e-waste in India. As India grows, more e-waste is generated, not to mention the e-waste that is dumped there from the West. In India there isn’t a safe e-waste recycling infrastructure to handle the nation’s waste. One of the challenges in India is the unique role of the informal sector. The informal sector is comprised of people (men, women and children) who collect, refurbish, dismantle and even recycle the metals found in e-waste.

6. VIEWS OF VARIOUS E-RETAIL COMPANIES IN INDIA REGARDING REVERSE LOGISTICS

FOR CANCELLATION AND RETURN

- **FLIPKART** says, “We want you to have an absolutely headache-free shopping experience...In case there is an issue with the product you have received, our Free & Easy Returns promise has got you covered.”
- **JABONG.COM** touts a “30-day no questions asked return policy.” The concerned section on the website says, “Though we strive to give you a great customer experience each time you shop with us, if at all you are not 100 per cent satisfied with your purchase, you can return your order for a full refund of paid price.”
- **SNAPDEAL.COM**, which describes itself as India’s favourite online mall, also guarantees a full refund if a customer is not satisfied with a product. The website claims, “Guaranteed resolution of complaints within a maximum of 30 days/Full refund if not resolved.”

If attracting consumers to pay up for a product they could neither touch nor feel was the biggest task in the first phase of the industry’s growth, handling product exchanges and returns is emerging as the next battlefield of ecommerce companies in India. It is easy to see how easy return can offer an ecommerce site a strategic advantage: The two windows open to customers to get a feel of an e-commerce brand are the website interface and the order fulfilment process. If customers see there is something missing in either of these, chances are they will never get back for a repeat purchase. Needless to say, with very differentiation in terms of products on offer and customer interfaces, e-commerce sites are bending over backwards to make sure consumers are at ease even when they revoke an order or send back a purchase.

- **THIRD EYESIGHT** says this is a particularly big headache for lifestyle products companies. “The industry average would be under 20 per cent but the return rate can be as high as 60 per cent in the case of fashion apparel,” and “In categories where products are more or less standardised, such as, books and DVDs, returns are low—may be in the 7 per cent range,” says Devangshu Dutta, chief executive officer, Third Eyesight.
- **GREEN DUST** “In 70 per cent of the cases, the cost to process the return (pick up, ship back, depreciation, refurbishment) can be higher than the value of the product,” says Hitendra Chaturvedi, founder & CEO, **Green Dust**, a pioneer in reverse logistics.

Like with everything else, it is easy to claim you have a great return policy but it is difficult to pull it off without a hitch. To be fair, the whole process of return management can leave you in a daze. First, reverse logistics is much more than just management of product returns. It involves putting together checks that minimise the number or possibility of returns, disposal, gatekeeping as well as all other supply chain issues after the sale of a product.

Now look at the kind of imponderables it entails. The uncertainty regarding the kind or quality of return, the generation time or the distribution of the reverse logistics makes it difficult to put it down to a routine. Also, the scale benefits of storage and transportation would not apply to returns/exchange due to the random and sporadic nature of product transfer. Third is the problem of cash flow.

If cash on delivery (COD) has made life easier for customers, it has also added to the misery of merchants in case of a return. The problem is that the COD system creates a delay in a payment to go through. Courier companies generally hold the money for two weeks, which means the e-commerce company has to restock inventory before the cash from its last sale has arrived. Then there is the logistics fee. Major logistics companies charge the e-commerce firm a transaction fee (~50) plus a percentage of the amount (about 1 per cent) collected. Some courier company also charges an extra ~50 to ~100 as return fees to ship the merchandise back to the point of origin.

One can imagine the plight of merchants. Now let's look at the options available to e-commerce companies by way of managing the whole process efficiently and keeping the costs down.

Mix and match

Quite simply, there could be two kinds of returns in the e-commerce space: first is the pre-payment return. This is peculiar to cash on delivery and happens when the customer rejects the item delivered to her either because she has changed her mind or she no longer wants it or something like that. Indeed, industry analysts say the COD payment model has very high pre-delivery return rates.

- **DOTZOT** -“Because of COD, the refusal rate at the door-step are anywhere between 10 and 15 per cent depending on the category; books have less and apparel have higher,” says Sanjiv Kathuria, co-founder & CEO, **DotZot**, an e-retail logistics specialist from DTDC. Granted, the model, pioneered by, actually led to the take-off of ecommerce in India and remains the more popular payment option to this day, but the high return rate has led players to really think hard about the way out. And not just returns; a COD transaction costs more as it is explained earlier.

Little wonder, companies like Myntra and Zivame are now charging for COD orders in long-tail locations where they deliver via third party logistics companies. Also, most companies now double check with the consumers before shipping COD orders. While e-commerce companies can't do much about COD, they can certainly work on reducing postpurchase returns. Easy return policies are *de rigueur* for categories like lifestyle and apparel due to non-standardisation of sizes and therefore, a higher possibility of returns.

- **MYNTRA.COM**, which has returns in the range of 7-9 per cent, says close to 70 per cent of all product returns in the apparel and footwear category are due to size and fitment issues. Since Myntra manages its own inventory, it can also offer a quick and easy exchange policy. This gives shoppers an option to exchange an existing product for a different size without having to first return and then re-order the product. Myntra's delivery boy will come with the new product and take back the old one in the same visit, bringing down the logistics cost significantly. "Return is good cholesterol," says Ganesh Subramaniam, COO, Myntra. "Customers really appreciate if the process is easy and if they get their money back quickly."
- **YEBHI.COM** has a try-and-buy policy, where customers can order three products simultaneously, try them, buy one and return the rest. "The try-and-buy scheme has led to a rise in the return rates but it is an excellent customer acquisition and retention tool," says Nikhil Roongta, COO, Yebhi.com.
- **JABONG.COM** has a 30-day returns policy. However, it does not apply to innerwear, fragrances, beauty products, jewellery, socks, furniture, CDs, pens and books. It also offers drop ship for returns at certain locations. If customers in these locations want to return their products, they can visit the nearest drop-off point and leave the unwanted product. And yes, this is a free service.

This is the easy part; what makes things difficult is that e-commerce is now all-pervasive. With close to 60 per cent of the orders coming from Tier-II and Tier-III cities, handling distribution or collecting rejects from far-flung areas by in-house logistics arms sometimes don't justify the costs involved.

- **GREEN DUST** that pick up, bring back, refurbish and resell rejects and do a revenue share with the supplier. “Amazon outsources the whole return process in the US, this can be replicated in India as well,” says Hitendra Chaturvedi of Green Dust, which handles reverse logistics for Homeshop18, Futurebazar.com and Flipkart (for north India); Amazon expected to hop on board soon. “Transportation companies are not reverse logistics experts,” he says. “They are not efficient in managing returns. The strategic nature of reverse logistics demands that one separates information from the product and inform relevant partners,” says Chaturvedi.

FOR OUTSOURCING LOGISTICS

- **MYNTRA**- “The overall cost of return could be around 1 per cent of the total revenue of a company if managed in house. It can go up for companies that decide to outsource it,” says Subramaniam of Myntra.
- **YEBHI**- “Innovations like ‘try and buy’ are possible only if you manage your own logistics,” says Roongta of Yebhi, which has a well-oiled in-house logistics team on the stand-by.
- **JABONG** -“With an in-house team you can save 10-15 per cent on the return cost, if there is scale,” says Praveen Sinha, co-founder & MD, Jabong.com. Perhaps to get that scale, Jabong.com now handles the logistics of a handful of other e-commerce companies through its in-house arm JaVAS.

Some e-commerce companies use more than one logistics provider and may rope in a clutch of small mostly ecommerce focused firms that service a certain city/region — such as Ecom Express, Chhotu and Delhivery. Large logistics companies such as Bluedart, DTDC and Gati also have their dedicated services for online retailers. All these logistics companies have started offering special training to their staff to manage COD transactions.

VIEWS OF OUTSOURCING PARTNER

- **DHL**-“Most vendors want third party logistics companies to collect the return as fast as possible so that they are able to bring it back into the inventory,” says Vikas Anand, COO, DHL Supply Chain. “There is need to invest in mechanisms that reduce the turn-around time.” In Tier-II and Tier-III cities, DHL Supply Chain is planning to set up walk-in centres with swipe card facility where customers can deposit returns or collect delivery. “Consolidating the shipment, instead of collecting from homes where every shipment is standalone shipment will cut both forward and return logistics costs,” says DHL’s Anand

- **GATI**- Around 70 per cent of the ecommerce deliveries for this firm are in cash. “Managing cash requires special skills,” says Bablu Tewari, COO, GATI. “We have a dedicated customer care centre that monitors such return shipments and provides real time information to companies. We SMS the customer about shipping details and then the customer care centre follows up with them.” Technology is a saviour for delivery companies. “We will install new technology for handling COD orders; we will equip the delivery boys with tablets so that customers can just enter their CVV numbers and pay through their credit cards. We are also planning pick and drop facilities in Tier-II/Tier-III cities, ‘adds Tewari.

To address the issue of delays in payment Dotzot collects value of the invoice at the time of delivery and remits it immediately by RTGS (or real time gross settlement system, set up, operated and maintained by the Reserve Bank of India to enable funds settlement on a real-time basis across RTGS enabled banks in the country; this is the fastest possible money transfer system through the banking channel) or NEFT (or national electronic funds transfer; funds transferred under NEFT are credited to the beneficiary’s account on the same day).

CONCLUSION ON MANAGING REVERSE LOGISTICS IN E-RETAIL

- Most big E-Retail companies guarantees a full refund if a customer is not satisfied with a product. Customers can return their order for a full refund of paid price.
- The industry average would be under 20 per cent but the return rate can be as high as 60 per cent in the case of fashion apparel.
- In categories where products are more or less standardised, such as, books and DVDs, returns are low—may be in the 7 per cent range.
- In 70 per cent of the cases, the cost to process the return (pick up, ship back, depreciation, and refurbishment) can be higher than the value of the product.
- Courier companies generally hold the money for two weeks, which means the e-commerce company, has to restock inventory before the cash from its last sale has arrived.
- 70 per cent of all product returns in the apparel and footwear category are due to size and fitment issues.
- The try-and-buy scheme has led to a rise in the return rates but it is an excellent customer acquisition and retention tool.
- Consolidating the shipment, instead of collecting from homes where every shipment is standalone shipment will cut both forward and return logistics costs.
- While the veteran players of E-Retail like Myntra, Jabong, Yebhi don't support the idea of outsourcing logistics, but is beneficial for many start-ups of E-Retail and few big brands like Flipkart and Amazon who outsource logistics so that they can focus on their core competencies.

To sum up, a piece of advice from our moral science textbook can be used: prevention is better than cure. The best way to cut return costs would be to bring the return rates down. Visual representation should be kept as close to the real thing as possible. The buyer should not be given a chance to change her mind. If at all she does and there is a need to exchange or return, don't give her a reason to complain

7.1 INTERVIEW WITH STORE MANAGER OF PANTALOON, METRO WALK

Pantaloon Fashion & Retail Limited is an Indian premium clothing retail chain. The first Pantaloon store was launched in Gariahat, Kolkata in 1997. As of November 2013, there are 76 Pantaloon stores in 44 cities. Pantaloon was previously controlled by the Future Group, but has now been taken over by Aditya Birla Nuvo Limited (ABNL).

This particular retail outlet only deals with apparel of various brands across categories that range from western to ethnic wear, formal to party wear and active wear for men, women and kids.

The interview was successfully carried out with the store manager and the following inferences are drawn.

ANALYSIS OF THE INTERVIEW

- They manage their own logistics through company owned carriers.
- The forward logistics generally occurs 2-3 times during a week but during seasonal sales it gets increased to 4-5 times a week.
- Reverse logistics (RL) is carried out generally at the end of the season. This store is small in size but in other stores RL is carried out at a regular interval within every season.
- RL occurs in the store due to two prevalent reasons i.e. size problems & defects in apparel.
- The defective apparels are stored in a separate space which is directly sent to the company's main warehouse of North Region.
- There is also a dedicated route that is followed by carriers in both forward and reverse logistics.
- The items that are facing size problems or during season's sale were given an additional discount at the end of seasonal sales. This comprises of around 15-20% of total inventory and about 5-6% of apparels are sent back.
- A dedicated team of inventory managers and software helps the store to carry out all logistics related decisions.

7.2 INTERVIEW WITH STORE MANAGER SHOPPERS STOP, ROHINI

Shoppers Stop is an Indian department store chain promoted by the K Raheja Corp Group (Chandru L Raheja Group), started in the year 1991 with its first store in Andheri, Mumbai Shoppers Stop Ltd has been awarded "the Hall of Fame" and won "the Emerging Market Retailer of the Year Award", by World Retail Congress at Barcelona, on April 10, 2008. Shoppers Stop is listed on the BSE In 2013, Shoppers Stop has 61 stores in India.

Shoppers Stop is one of the leading retail stores in India. Shoppers Stop began by operating a chain of department stores under the name "Shoppers' Stop" in India. Shoppers Stop has 65 stores across 32 cities in India. Shoppers Stop retails stuff like ladies watches, men's watches, artificial jewellery, fine jewellery, handbags, fragrances, cosmetics, men's footwear, women's footwear, home furnishing and decor products. Shoppers Stop launched its e-store with delivery across major cities in India in 2008. The website retails all the products available at Shoppers Stop stores, including apparel, cosmetics and accessories. Shoppers Stop opened stores in Amritsar, Bhopal and Aurangabad.

ANALYSIS OF THE INTERVIEW

- A dedicated team of inventory managers and software helps the store to carry out all logistics related decisions.
- Reverse logistics is carried for any out of the incidents i.e. home delivery, store to store transfer, damage or expiry stocks return to warehouse or vendors, return of non saleable items.
- All defective items in each segment are sent back to the main manufacturer through company's main warehouse.
- No different route is followed by transport carrier during reverse logistics as that of forward logistics.
- Shoppers Stop offer a good amount of discounts on the items at the end of season and if then also the items are not sold then it sells them in secondary market or returns back to the manufacturer.
- Around 10-12% of total inventory uses reverse logistics, Sometimes it is transferred to other stores as per demand pattern of all store.

7.3 INTERVIEW WITH SHOPKEEPER OF PETER ENGLAND, KAMLA NAGAR

Madura Fashion & Lifestyle, a division of Aditya Birla Nuvo Ltd, is one of India's fastest growing branded apparel companies and a premium lifestyle player in the retail sector. After consolidating its market leadership with its own brands, it introduced premier international labels, enabling Indian consumers to buy the most prestigious global fashionwear and accessories within the country. The company's brand portfolio includes product lines that range from affordable and mass-market to luxurious, high-end style and cater to every age group, from children and youth to men and women. Madura Fashion & Lifestyle is defined by its brands — Louis Philippe, Van Heusen, Allen Solly, Peter England and People — that personify style, attitude, luxury and comfort. Madura Fashion & Lifestyle reaches its discerning customers through an exclusive network comprising more than 1,300 stores, covering 1.9 million sq ft of retail space, and is present in more than 1,300 premium multi-brand stores and 300+ departmental stores

ANALYSIS OF THE INTERVIEW

- The size of the shop was very small around 300 sq. ft. And it was dealing with only one brand i.e. PETER ENGLAND
- The owner of the shop had taken a franchise, where it was managing around 200- 300 stock keeping units.
- The store was dealing with only men's wear like shirts both formal and casual, T-Shirts, trousers, Jeans, ties, Suits.
- The shop was managing reverse logistics of only defected items. The shopkeeper told that if few items remain unsold, they are returned back to main warehouse of PETER ENGLAND after the seasonal sales.
- In that shop the defective items comprise of less than 1% of total inventory because they put a lot of stress on checking while selecting incoming materials.

7.4 INTERVIEW WITH STORE MANAGER BIG BAZAAR, NSP

Big Bazaar is one of India's retail pioneers with multiple retail formats. Approximately 300 million customers walk into these stores and choose products and services supplied by over 30,000 small, medium and large entrepreneurs and manufacturers from across India. They have a presence in more than 93 cities and in more than 60 rural locations people well know its brand. It has employed more than 30,000 people from every section of Indian society.

In 2005 it implemented RFID and SAP pilot projects in its central warehouse at Tarapur. In 2010 it ranked 6th among top 50 service brands in India.

ANALYSIS OF THE INTERVIEW

- Reverse logistics is carried for any out of the incidents i.e. home delivery, store to store transfer, damage or expiry stocks return to warehouse or vendors, return of non saleable items.
- Bar code system is managed in which details of every SKUs is stored.
- Software is installed to manage inventory, prepare purchase order, maintain minimum inventory, stock clearance, etc.
- Logistics is managed between store to store, store to warehouse, store to vendors and vice versa.
- As soon as the goods are received, their seals are checked. If they are not found in accordance with the standards they are returned back to vendors.
- If the vendor is directly sending the goods, then it has to take permission for the submission of goods in logistics.

7.5 INTERVIEW WITH STORE INCHARGE MOTHER DAIRY, RITHALA

Mother Dairy, set up in 1974, is a wholly owned subsidiary of the National Dairy Development Board (NDDB) of India. Mother Dairy markets approximately 4.8 million liters of milk daily in the markets of Delhi, Mumbai, Saurashtra and Hyderabad. They have a market share of 66% in the branded sector in Delhi where it sells 2.3 million liters of milk daily and undertakes its marketing operations through around 14,000 retail outlets and 845 exclusive outlets. As of April 2013, the dairy commands 71% and amul commands 29% of market

The company's derives significant competitive advantage from its unique distribution network of bulk vending booths, retail outlets and mobile units. Mother Dairy ice creams launched in 1995 have shown continuous growth over the years and today boasts of approximately 62% market share in Delhi and NCR. Mother Dairy manufactures and markets a wide range of dairy products that include butter, dahi, ghee, cheese, UHT milk, lassi and flavored milk. Most of these products are available across the country.

ANALYSIS OF THE INTERVIEW

- Forward logistics generally occurs 2 times during a day once in morning and in evening. A small outlet handles around 200-300 different stock keeping units.
- The forward logistics is well designed by keeping various factors into considerations like location of processing plant, locations of outlets, and demand in areas.
- The logistics is generally outsourced to third party be it for collecting milk or distribution of processed milk.
- As milk is a perishable item, a lot of stress is given on its refrigerated transportation, reverse logistics of unsold milk.
- Generally the retail outlet in-charge try a lot to minimise the difference between supply and demand of milk.

8. INTERVIEW WITH OWNERS OF KIRANA SHOPS

A Kirana Store, is a small store that stocks a range of everyday items such as groceries, snack foods, candy, toiletries, soft drinks, tobacco products, and newspapers. A convenience store may be part of a gas/petrol station. It may be located alongside a busy road, in an urban area, or near a railway or railroad station or other transport hub. They usually charge significantly higher prices than supermarkets, which they make up for with convenience by serving more customers in its nearby locations.

ANALYSIS OF THE INTERVIEW

- They use their own vehicles for carrying products to their shops from big grocery shops. Few shops have direct coordination with the local distributor of few brands. They deliver products twice or thrice in a week as per the demand of the shopkeeper.
- The forward logistics is not well planned and is generally carried out once or twice in a week as per convenience of the shop owner.
- They don't have much knowledge about Reverse Logistics. But if the product crosses its expiry date, they requests local distributors to exchange that product.
- They have to bear the costs of few products which get wasted during the transportation or storage.
- In launch of new products or brands, manufacturers and distributors take care of new products both forward and reverse logistics. If the products are not accepted by the consumers, the manufacturers take back the product from the shop owners and bear all the costs of logistic.
- Once the product gets accepted in the market, the demand of product comes from shop owner's side to the distributor.

7 LIMITATION FOR THE STUDY

- The time period was limited for 1.5 months. So, it was impossible to take any interviews of manufacturers which need prior appointments.
- There was no direct interview with 3rd party logistics company though data are collected from their interviews published in business magazines and newspapers.
- There was a constraint of fund and time otherwise more data through direct interviews could have collected from all parties in an active supply chain to know about their response towards Reverse Logistics.
- Though importance is given on Reverse Logistics, the scope of this paper is only limited to Indian economy only. In few places it is compared with that of US.

9. RECOMMENDATIONS AND CONCLUSION

12.1 Conclusion

Sustainability in the market, customer satisfaction and also from environmental perspective reverse logistics is slowly gaining momentum in India in the last few years. With increasing competition, thin profit margins and government regulations for safe disposal of products, this is the right time for the product manufactures' to look into reverse logistics. With the existing opportunities, there are more or equal challenges for successfully managing a reverse logistics' business model.

Reverse logistics can increase profits and customer satisfaction. Conversely, a weak reverse logistics program can drive customers away and increase costs and liabilities. Reverse logistics is a critical part of the supply chain that is worth developing, and the bottom-line impact could be worth as much as 5% of sales. Though often overlooked, there are few processes left that have as much potential to positively impact earnings as reverse logistics.

From this it is very clear that whichever be the format of retailing reverse logistics is important in all. In e-Retail there are lots of problems in managing it, as the cost incurred is very high and the return rate is also very high as compared to the traditional sector. But Supply Chain analysts are coming out with new Reverse logistics models which can reduce this high percentage of returns and costs.

12.2 Recommendation

If a company is selecting a 3PL (Third Party Logistics) or is planning to handle forward and Reverse Logistics all by own then it is important that companies should focus on few important questions that need to be answered first.

- Do they have a network of facilities that can be leveraged to optimize transportation expenses while improving customer response times?
- Can they provide inbound and outbound transportation support?
- Can they help improve the product flow upstream so companies can process more efficiently and maximize the value of the returned assets downstream?
- Do they understand the impact of returns on customers, suppliers, stores, and distribution centers (DCs) and the financials of the company?
- Do they have existing operations repairing product that is similar to returned items?
- Do they provide other services that can be leveraged to reduce overall operations costs?

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