



RECESSIONARY IMPACT ON THE REVERSE SUPPLY CHAIN AND SOME BEST PRACTICE CONSIDERATIONS

Reverse Logistics Conference
Las Vegas, NV
February 4, 2009





“FLIGHT PLAN”

- Purpose and Introduction of Panelists
- Presentation of Qualifications (GENCO)
- Overview of “Economic Drivers of Volume Change”
- Trends
- “The Numbers”
- (Heightened) Focus on Margin Recovery
- Panelist/Experts Remarks
- Q + A



PURPOSE

Discuss

- Impacts of a rapidly contracting economy on the reverse logistics flow of CPG

Consider

- Some Best Practices strategies

Learn

- Some Practitioner's experience and counsel



PARTICIPANTS/PANELISTS

- Stephen Fraser – CEO, **GENCO** Reverse Logistics Businesses
- Wendy Bolles – Group Manager Resource Recovery, **TARGET**
- Matt Snyder – Manager Reverse Logistics, **DELL**
- John Bernardino - Sr. Director of Logistics & Post Sales Operations , **HP**





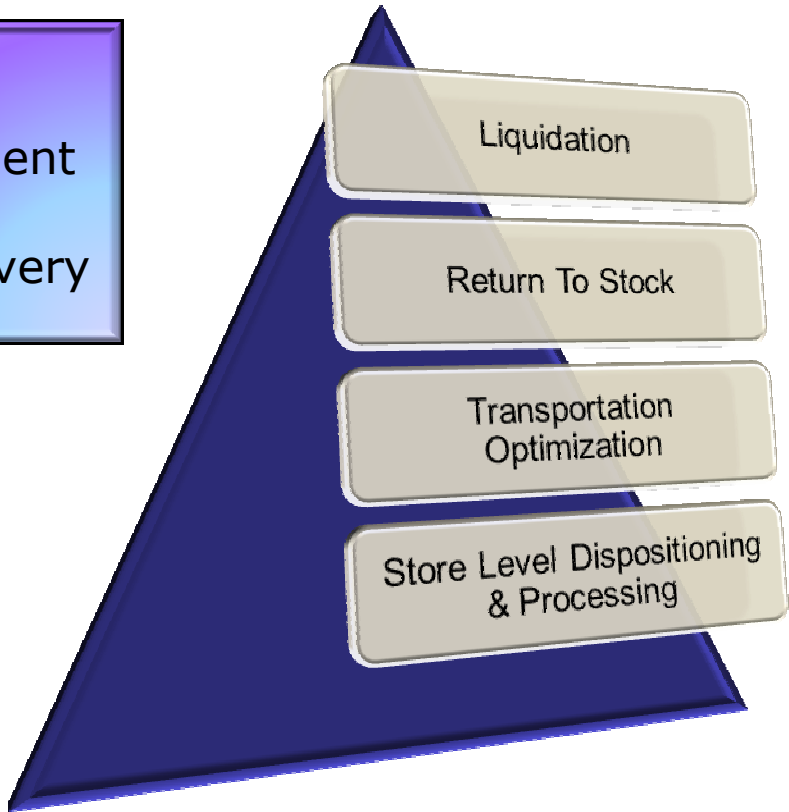
GENCO

- 110 year old, private, 3PL solutions provider, \$800M in revenue, 37 million ft space
 - GENCO Reverse Logistics (***Reverse***)
 - GENCO Pharmaceutical Services (***Rx Returns***)
 - GENCO Damage Research (***Damage Prevention & Returns Policies***)
 - GENCO Market Place (***Liquidation***)
 - GENCO Transportation (**Parcel, LTL, TL**)
 - GENCO Contract Logistics (**Forward**)
 - GENCO Government Solutions



Driving Reverse Logistics Optimization

- Transportation Optimization
- “One Touch” Cost Management
- Best Product – Buyer Match
- Drives Highest Margin Recovery



Sample GENCO Customers by Industry

Contract Logistics	
Reverse Logistics	
Pharma Services	
Damage Research	
Transport Logistics	
Parcel Negotiation & Audits	
Product Liquidation	



Case Study: Major Retailer



Dedicated Logistics

- Several Thousand Stores Nationwide
- 25,000+ Pallets per Month
- Online Pick Up Requests
- **Products include: clothing tractors, TV's, tools, sporting**



Operations Management

- Advanced Scanning Technology
- Inventory & Credit Reconciliation
- **Disposition Management**
- **Detailed Manifest & Inventory Tracking**
- Material Recycling



Quote to Cash Services

- Multi-channel Liquidation
- **Delabeling and Defacing**
- Cash Control
- Domestic & Export Buyers
- **Compliance services**



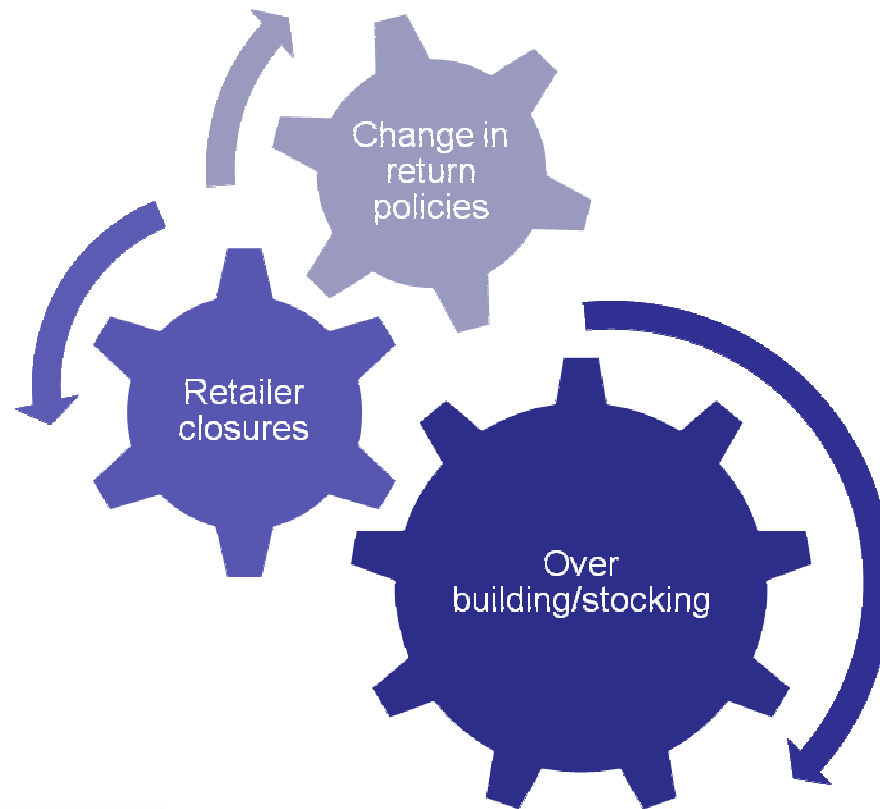
Millions of dollars in retail value returned goods recovered

Operate National Return Center Network

Advanced security compliance



OVERVIEW OF “ECONOMIC DRIVERS OF VOLUME CHANGE” (1 of 4)





OVERVIEW OF “ECONOMIC DRIVERS OF VOLUME CHANGE”

(2 of 4)

- Over-building/stocking
 - Manufacturers and Retailers projected stronger sales for '08 (in '07 and Q1'08) and built and stocked accordingly
 - Customers failed to show up in the quantities and/or buy at the levels projected
 - **Result:** More inventory in the reverse channel



OVERVIEW OF “ECONOMIC DRIVERS OF VOLUME CHANGE”

(3 of 4)

- Retail Closures
 - Unusually high # of retail store closures increases amount of inventory for sale at depressed prices, which reduces the amount of inventory sold by strong/solvent manufacturers and retailers
 - Bankruptcies of Steve & Barry’s, Circuit City, Linens n’ things, Mervyn’s, Etc.
 - 148,000 stores closed in ’08, and 73,000 more expected in 1H’09 (!!!)
 - **Result:** More inventory in the reverse channel



OVERVIEW OF “ECONOMIC DRIVERS OF VOLUME CHANGE”

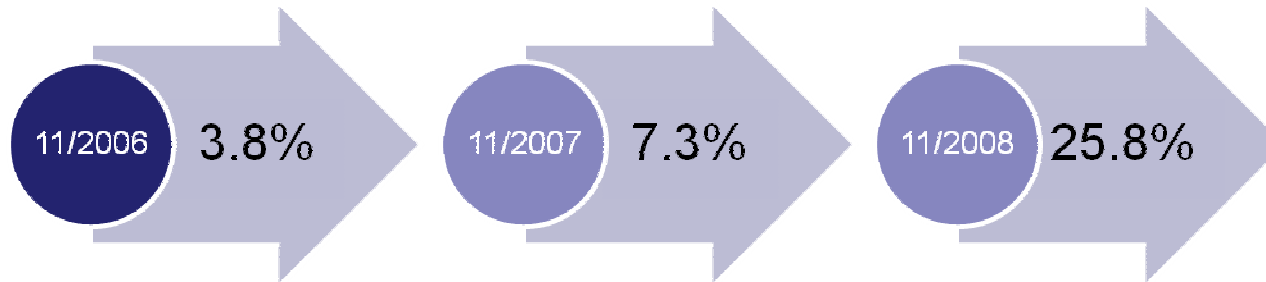
(4 of 4)

- Change in Return Policy
 - To attract customer and induce buying, more than half of retailers (according to N.F.R)...
 - Extended warranty periods
 - Introduced more return leniency
 - Longer Return period
 - Lower Return criteria
 - **Result:** More inventory in the reverse channel



TRENDS

- Percentage of retailers with a high possibility of bankruptcy



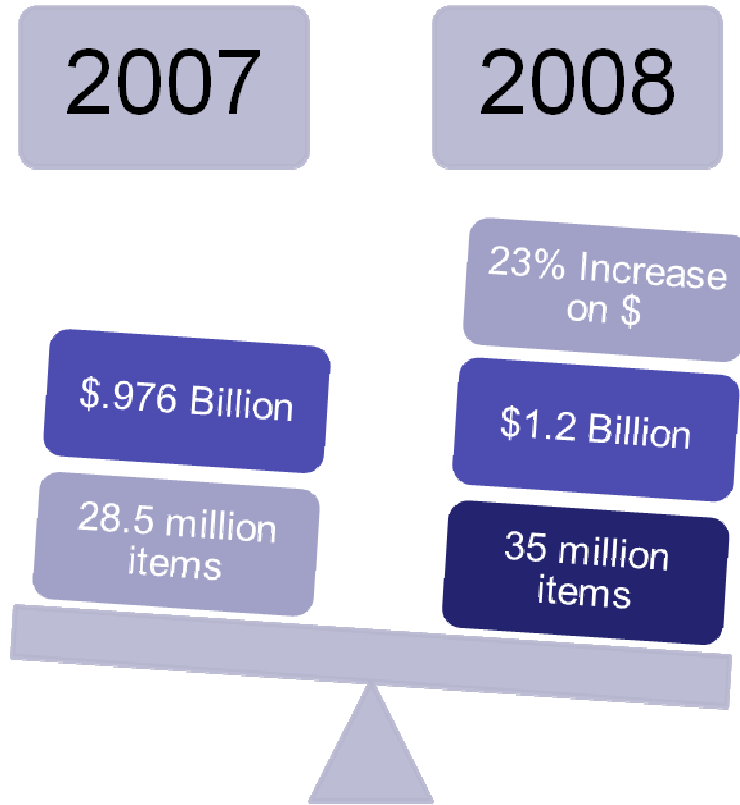
- Increasing likelihood of more Chapter 7 filings – as major creditors (GE, CIT, Wachovia) are dialing back lending to retailers (WSJ, 12/27). (Chapter 7 forces all inventory into the liquidation chain immediately)



TRENDS

Trends we see in the field?

- Store shipments are being made based on store specific layouts, reducing the time it takes to get merchandise to the floor
- Some inventory decisions being pushed down to the store level
- Better product visibility (means more product on the shelf)
- Smaller, more frequent deliveries to the stores
- Predicative inventory needs systems
- Collaborative Planning, forecasting and replenishment
- Improved forecasting

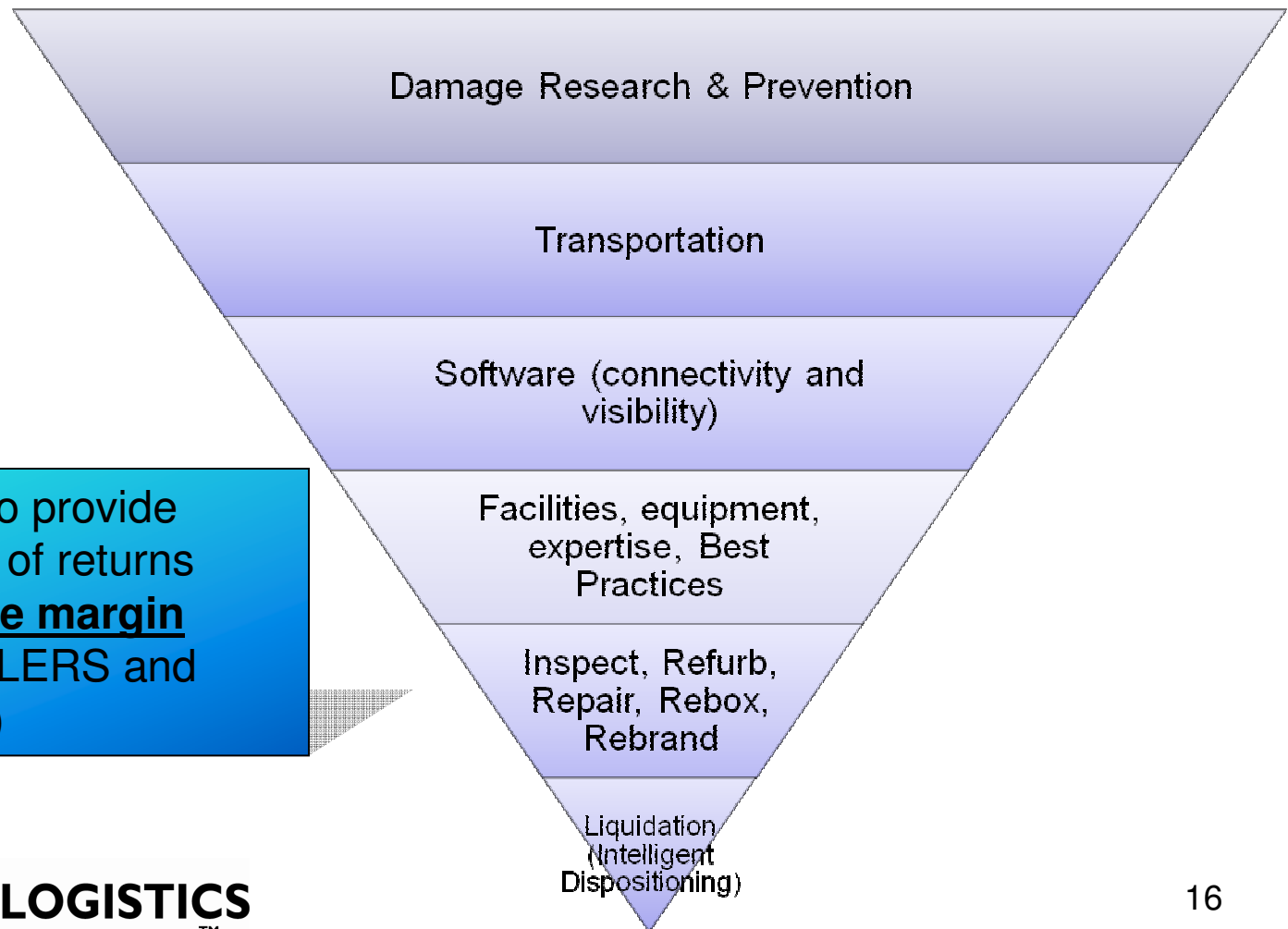


“THE NUMBERS” (GENCO)

- Same yr.-on-yr. comparison of retail accounts = 49% increase in units returns in December alone
- Similar comparison of mfr. accounts + 18% increase in December (although fewer overall units for the yr.)



HEIGHTENED FOCUS ON “MARGIN RECOVERY”



GENCO orientation to provide comprehensive suite of returns solutions to **maximize margin recovery** (for RETAILERS and MANUFACTURERS)



THE TIME AND NEED IS NOW TO FIND MORE MARGIN – BUT WHERE? AND HOW?

Develop/map a holistic/Unified Reverse Flow

- Establish real understanding of net margins at each point

Review/revise Vendor Policy and Allowances

- More to liquidation, faster

Consider outsourcing "margin recover" chain

- Variabilizing cost

Damages/Unsaleables Reduction

- Prevention eliminates recovery need



DAMAGE RESEARCH

Dig into the Prevention of Unsaleables due to damage

Analyze retail Unsaleables & Identify Root Cause

Develop coherent damages & unsaleables Policy

Assess hidden damage

Analyze shelf image and expiration date

Audit reclamation centers

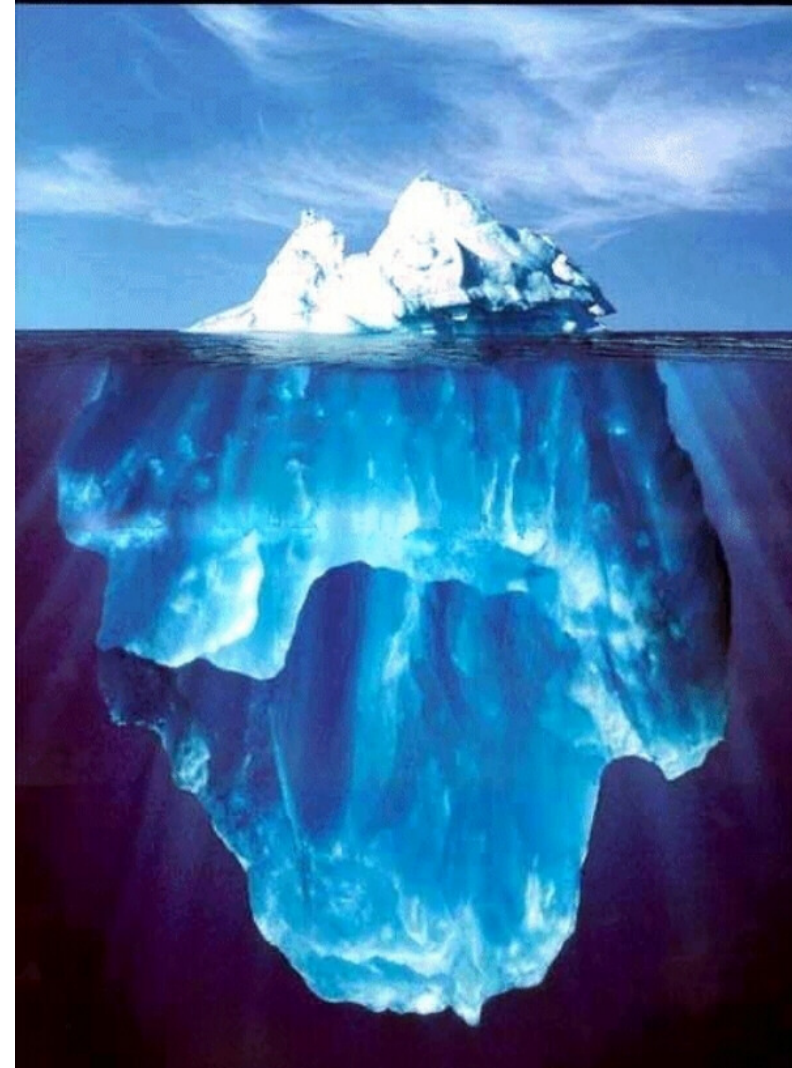


The Iceberg Solution



↗ The act of Liquidation is just the tip of the iceberg!

↗ Key is to look "under the water" & drive innovation back into the process





PANELISTS REMARKS



QUESTIONS