ABSTRACT

Reverse logistics activities are starting to be a must have accessory in today’s companies development strategy. Activities are implemented into existing systems for many reasons; only basic or sophisticated approach makes a significant impact on company’s profit.

Implementing only basic activities into companies strategy assures that the companies profit will not be lost and customer would have an option of returning a product if it does not meet his needs. Basic activities would grant that the returned product will provide some return of the invested costs to the company and offer an option for upgrading them.

Demanding consumers, globalization, shortened life cycle of the product, social responsibility and environmental issues are only some of the actual impacts that are affecting company’s strategies to implement reverse logistics processes.

Implementing these activities into existing companies systems can be of crucial matter for the company. Choosing a right form of processes can affect future companies development and can also form a position of the company on today’s competitive market.

Keywords: reverse logistics activities, company strategy, business development, optimization processes

1 INTRODUCTION

The dimension of reverse logistics impresses the companies to change the way of business with the aim of understanding and implementing reverse logistics strategies in their systems. Although yet recently management of the logistics companies tried to deny significance of the reverse logistics, today good reverse logistics management can be a marketing strategy to improve customer satisfaction, companies market position and amount of the returned profit. Decision about the implementation of activities can be of crucial matter and can be challenging for the companies management. The strategy must be not only implemented as activity but embedded into whole organization, processes and supporting technology. Basic processes must be also support for actual law regulations regarding reverse logistics.

2 REVERSE LOGISTICS ACTIVITIES

Typical reverse logistics activities are processes a company uses to collect used, damaged, unwanted or outdated products, as well as packaging and shipping materials from the end user or the reseller.\(^1\) Figure presents number of activities that can be used as reverse logistics.

logistics activities. All of those activities are based on tendency to capture value or to properly dispose goods that entered reverse logistics chain.

When returned and observed as an individual unit level, the item needs to be returned from the customer, inspected by the professional and then streamed to the path that will yield the highest recovery rate for that unit. Trying to maximize recovery values of each product that entered reverse channel needs to be accompanied by reverse logistic process improvements as gate keeping, reduced cycle time, returned product decision, movement and processing. Entering a reverse logistics channel, the product starts to be formally processed. Interaction of forward and backward logistics should be strictly separated because when combined forward logistics issues are always primer.

3 IMPLEMENTATION OF THE RL ACTIVITIES IN EXISTING COMPANIES IN CROATIA

3.1 Status of the reverse logistics activities in Croatia

Many of Croatian companies (excluding multinational) did not implement advanced reverse logistics activities in their systems because they do not yet recognize them as strategic. Main barriers are the lack of interest, lack of systems, company’s policies, management inattention, financial resources and lack of educated personal. Figure presents the reasons for returning the products from the aspect of consumers, where the number of returned product because of not meeting consumers need, implicates the level of liberalization.

Results of the research implicated (shown in a table below) that the main barrier for Croatian companies is with 47% the fact that activities inside the companies exist but the management is not interested in development. Activities, that according to the questionnaire exist, are mainly only a fact that a customer actually can return a product. This return of a product will provide some kind of activity, depends on many factors (possibility of return, decision of an employee about a status of a product, disposition cycling time, etc.) but activities inside the company are unequal. The very next one (with 25%) is the fact that companies policies are not in accordance with reverse logistics development. When having a global company that tends to have best in class offers, one will now just develop already basic RL strategies years ago implemented into their systems. Research made by specialist advises to have five steps to improve RL activities inside the company (contain costs, enhance the customer experience, minimize inventory holding costs, increase overall service profitability and to provide faster turnaround for repairs). Another research suggests having eleven steps to improve RL activities, also advanced (defining a current internal situation, customer – centric approach, operational and tax perspective, organization aligned with customer requirements, etc).

Based on questionnaires and the fact that RL activities are not yet recognized in Croatian companies as a strategic variable and a Croatian customers growing tendency and a wish to be a part of reverse logistics activities, there are primer steps to be made when proposing only basic implemented activities inside the company or developing one that provides basic activity – possibility of return.

---

Table 1: Barriers for implementation of reverse logistics system in Croatia

<table>
<thead>
<tr>
<th>Barrier</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities exist, not interested for development</td>
<td>45%</td>
</tr>
<tr>
<td>Company policies</td>
<td>25%</td>
</tr>
<tr>
<td>Lack of systems</td>
<td>2%</td>
</tr>
<tr>
<td>Competitive issues</td>
<td>2%</td>
</tr>
<tr>
<td>Financial resources</td>
<td>19%</td>
</tr>
<tr>
<td>Personnel resources</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Authors

3.2 Steps for implementation of RL activities

**Defining a position**

Company that tends to have a closed chain with well organized reverse logistics activities, where maximal possible number of returned products will be reused or completely recycled should before implementations of any of those, define a position. Starting point should provide information about a specific company policies, law regulations, current status on the market, competitor’s status regarding reverse logistics activities, profit or customer orientation of reverse logistics processes, awareness of employees about possibilities and improvement opportunities of implementation of reverse logistics processes.

**Customer orientation and law regulations**

For a good reverse logistics strategy it is global thinking to coordinate activities customer friendly. Satisfied customer can be a locked customer and can assure to sustain a position of a company on the market on the higher level. One of the marketing strategies for a successful company is to be presented by customers as a loyal and well imaged company.

Having a satisfied consumer can be a strategic variable that depends not only on a knowledge or tendency to make a highest profit for a company, but to fasten up all the processes in whole reverse logistics chain.

Consumers that returned the product created new reverse logistic process, and are significant part of it. Consumer can make a difference and be more important part of reverse logistics chain if they interact in these activities.4

Law regulations, that are a significant act that creates implementation strategy of reverse logistics, are mainly based at the fact that common feature of all modern democratic state is to protect the interests of economically weaker parties in commercial transactions on the market, and therefore the consumer protection laws in these countries, protect individuals, consumers, market products and services they purchase for their non-professional purposes or for personal or family needs.

Effective consumer protection as a part of reverse logistics activities development strategy is necessary to ensure proper functioning of a reverse logistics processes, to have a satisfied consumer and to protect image of a know how company.

---

Profit orientation

Except being customer oriented, company must assure that the highest return rate will be provided for every returned product. Choosing between satisfied customers and accepting a product that shouldn’t enter companies reverse logistics channel often results with accepting it at the expense of additional costs. Providing know-how activities as gate keeping, reducing disposition cycling time, educating personnel and recognition of errors that appear in securing the necessary actions for a particular product in return. A general systems that are being implemented as a reverse logistics systems can always be upgraded in a way of an individual approach to each company.

Effective gate keeping

When having optimization issues in reverse logistics processes, one relevant point (often unrecognized) where all of them can be supervised and can be classified if necessary, is at the very beginning of the companies reverse chain, at the gate where a product gets green light and enters RL chain. Every product that enters wrong channels, or enters channels at all, can provide additional costs and affect companies business. Assuring that the product in return is an obligation of the company and assuring that this returned product will be routed to a channel where it will gain the highest return rate is one of the strategic decisions for implementation of good reverse logistics activities into companies business.

RL software

When designing a reverse logistics strategy for company development and companies ready to be a competitor on the market, implementing information system is of crucial matter. Every optimization must have some kind of information technology back up, so this software is also essential for control and transparency all along the reverse part of the chain. Choosing software that will provide right information at the right time for a specific company can be challenging because of availability. When implementing software one must be aware of complexity of forecasting and planning in reverse logistics processes. Appropriate information technology should integrate and standardize reverse chain processes. Except for optimization, information system must grant statistic activities, so every mistake or a fact must be recognized by administrator or personnel and be removed or optimized.

Human resources

Significant impact on strategic and every day managing of reverse logistics issues has human resources. When separating forward and reverse logistics activities, first difference is that in reverse there is handled one and every time different product, with different reasons for entering reverse logistics chain. The decision about every of these product must be precise and guarantee that every of them will be routed to a channel where it will provide a highest possible return rate. This decision can affect the companies business.

When entering a competitive global market, only reverse logistics companies with highly positioned image of «know-how company» can survive in these conditions of global competition, so education and competencies of the employees are crucial for decision making situations that are part of the reverse logistics on every level of the process. Activities of reverse logistics are constantly improving, laws are changing, competitive market is growing and the need for personnel that will, besides a knowing to decide, have a desire for learning new skills and higher education.

The ability to manage customer relationships and to have a perfectly coordinated process of managing products in return can be affected with providing a good human resource management.
CONCLUSION

Although reverse logistics processes in developed logistics systems has already established a concept of return that will provide a secure profit, image of know how company, satisfied customer, possibility of upgrading, etc., there is an actual problem with companies (in this case in Croatia) that do not understand strategic variable of implementation of RL activities.

Returned products in Croatian companies are a problem that is solved as an issue at a time. The procedure does not exist (or very rarely) and every product is handled differently, by different person and often just proceeded to someone else to solve it.5

As the steps in developed logistics systems are on higher level and the market is different, one when implementing activities in Croatian companies, should be aware that customer orientation and law regulations, profit orientation, effective gate keeping, human resources and a RL software are a base for starting a good fundamentals for effective reverse logistics processes that a company will provide for itself and for a consumer who is not yet recognized as an important part of reverse logistics.

Also, special attention should be given to the strengthening of consumer protection associations and to promote the development of an independent and representative consumer movement, as well as promoting the activities of informing and educating consumers.

REFERENCES


