



# ARA/ASGA Supply Chain & Logistics Seminars

**Managing the Order Cycle**  
*Order to Cash & Reverse Logistics*

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**August 2011**



# Housekeeping



- Exits
- Restrooms
- Emergencies
- Mobiles



# Agenda

Typical order cycle

What is EDI?

The benefits of automating the order cycle

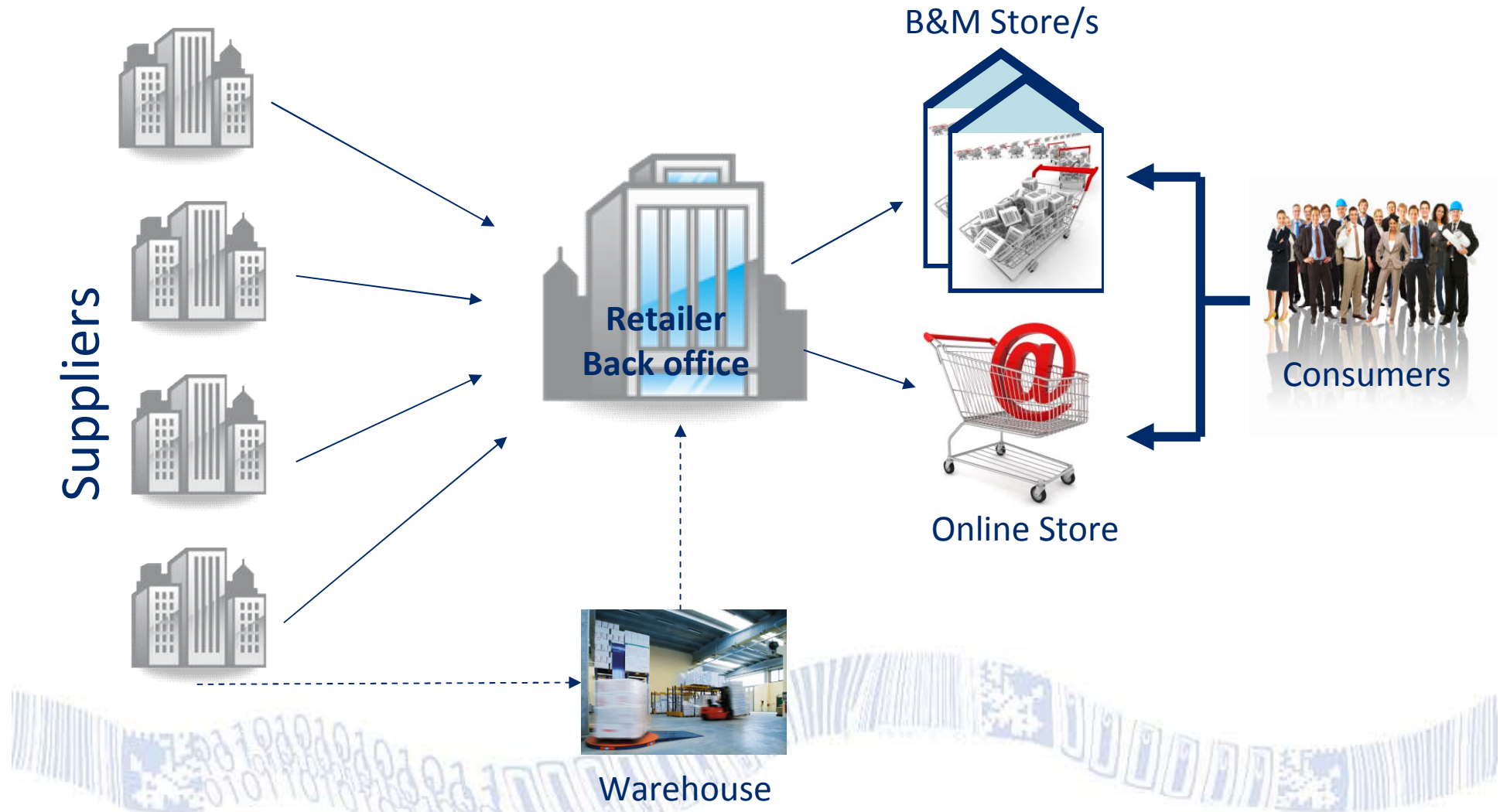
Adopting an electronic despatch advice

Where to start

Reverse logistics

- Challenges
- Costs
- Processes
- Considerations

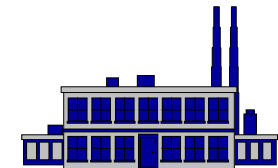
# Multi-channel retail supply chain



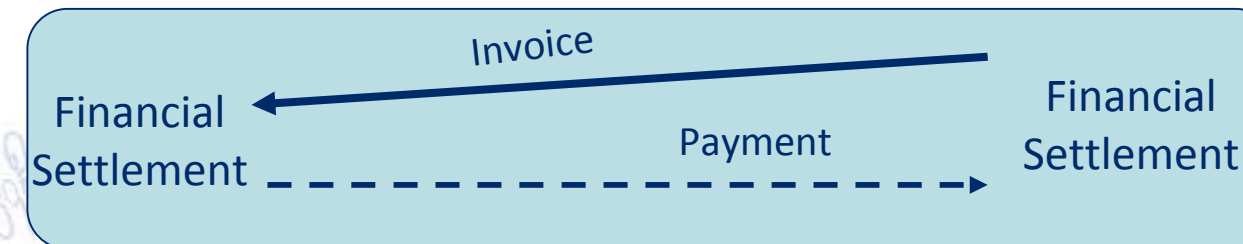
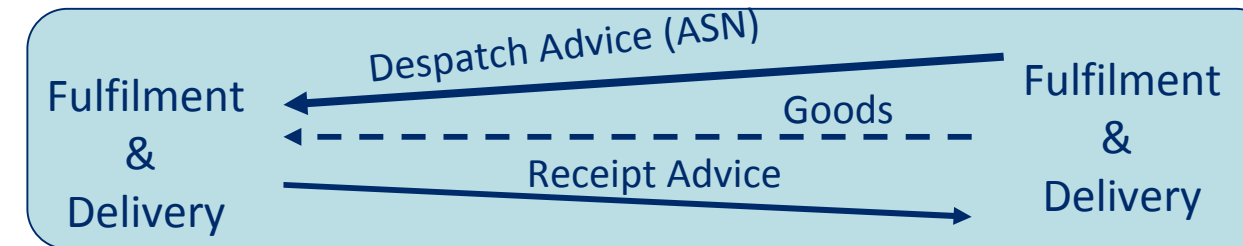
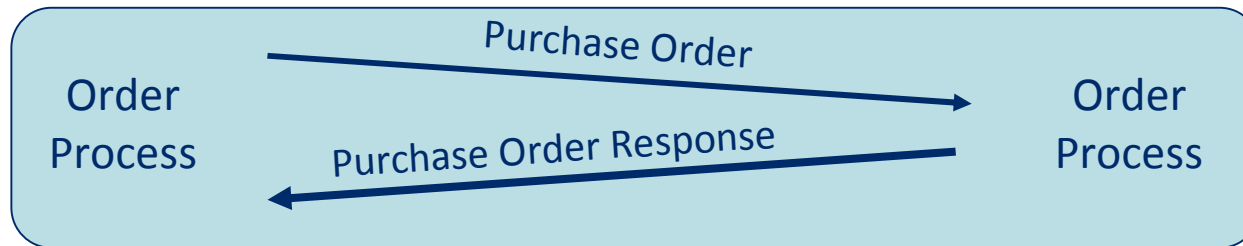
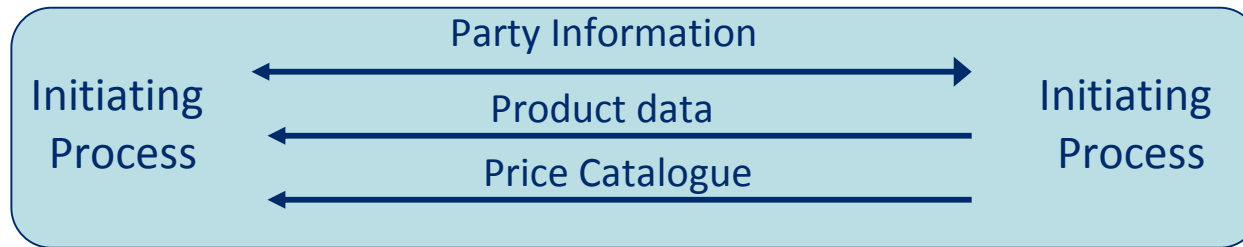
# Order to cash process



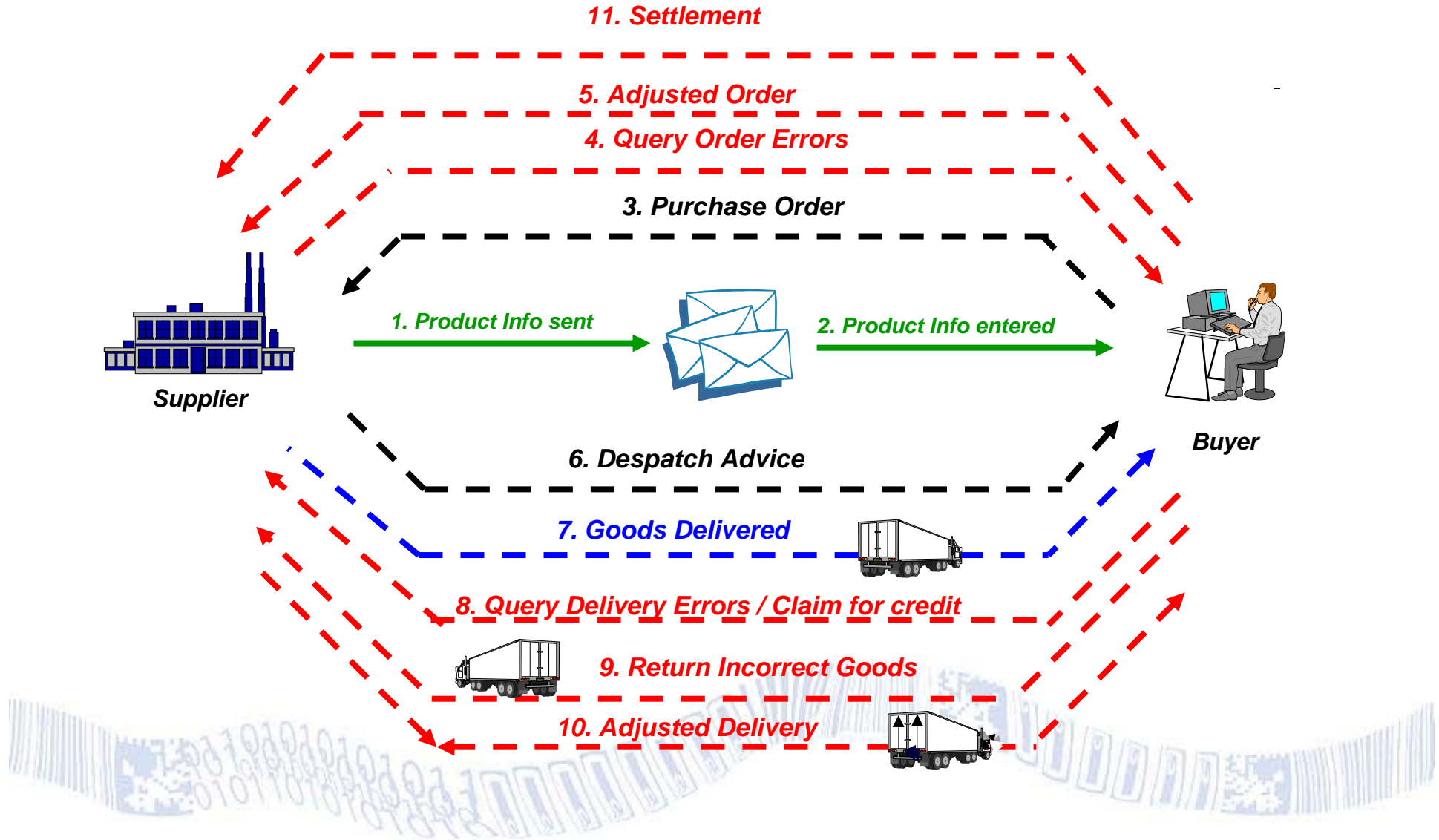
**Retailer**



**Supplier**



# Things can and do go wrong...





# Best practice Supply Chain Management

All companies in all industries need to identify goods coming in, passing through and leaving the...

## Logistics/Value/Demand/Supply Chain

Best Practice SCM is about **capturing accurate data** at the **least cost** and **effectively processing** the information within application systems, with **total integration** in mind.

*The GS1 System supports these objectives.*



# Electronic Data Interchange

The computer to computer exchange of standard electronic business documents



# Two Key Elements

Electronic documents replace paper based ones, and

The exchange of documents takes place in a standardised format

Any business can implement EDI and take advantage of the benefits...

***SPEED***

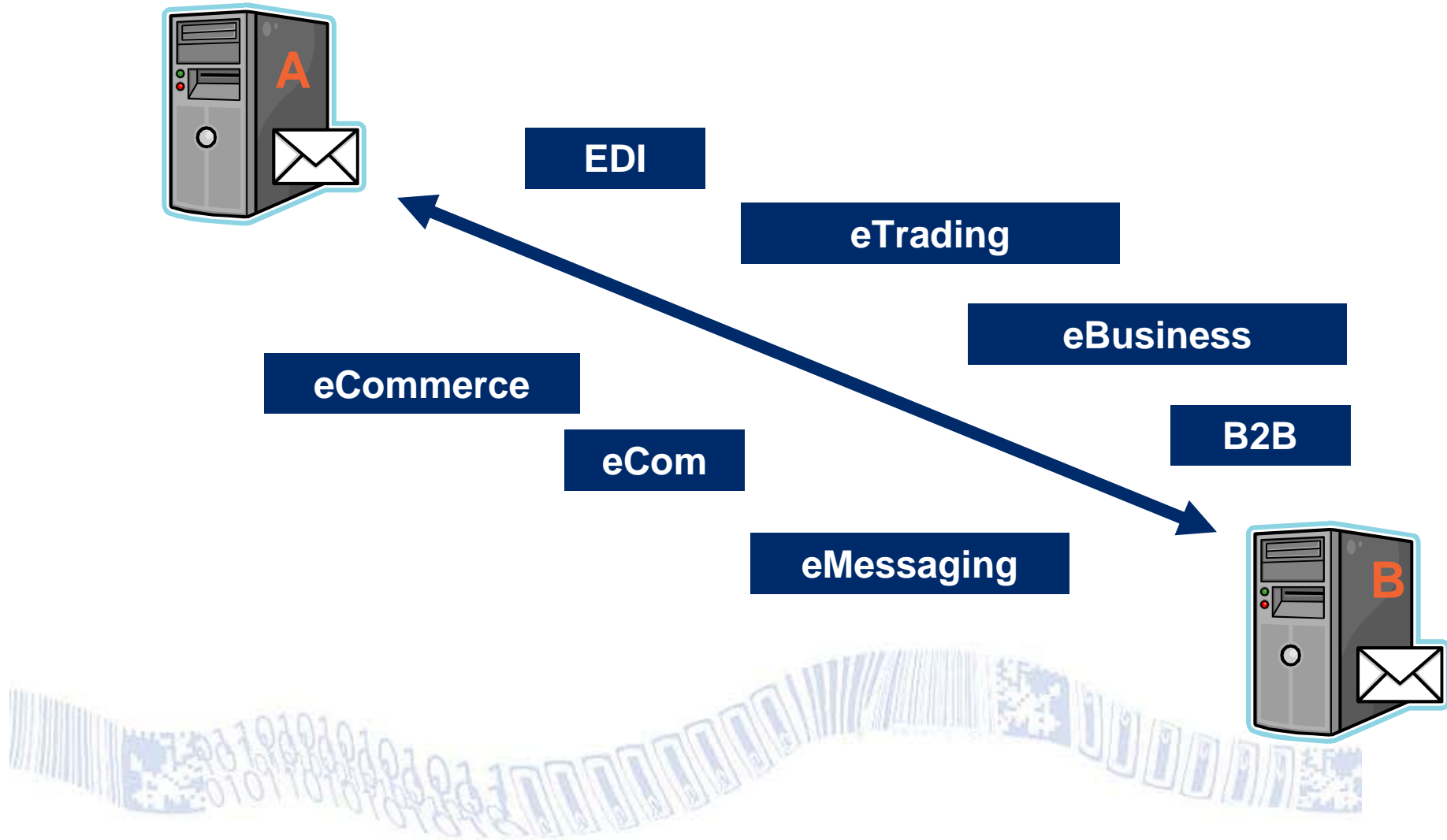
***ACCURACY***

***EFFICIENCY***

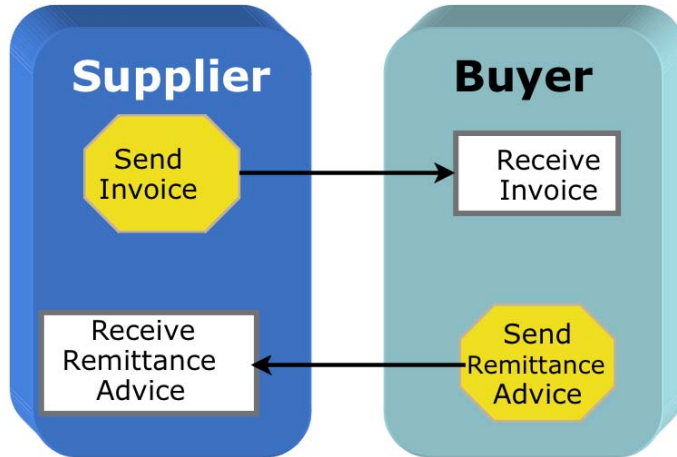
***COST SAVINGS***



# Terminology Overload...



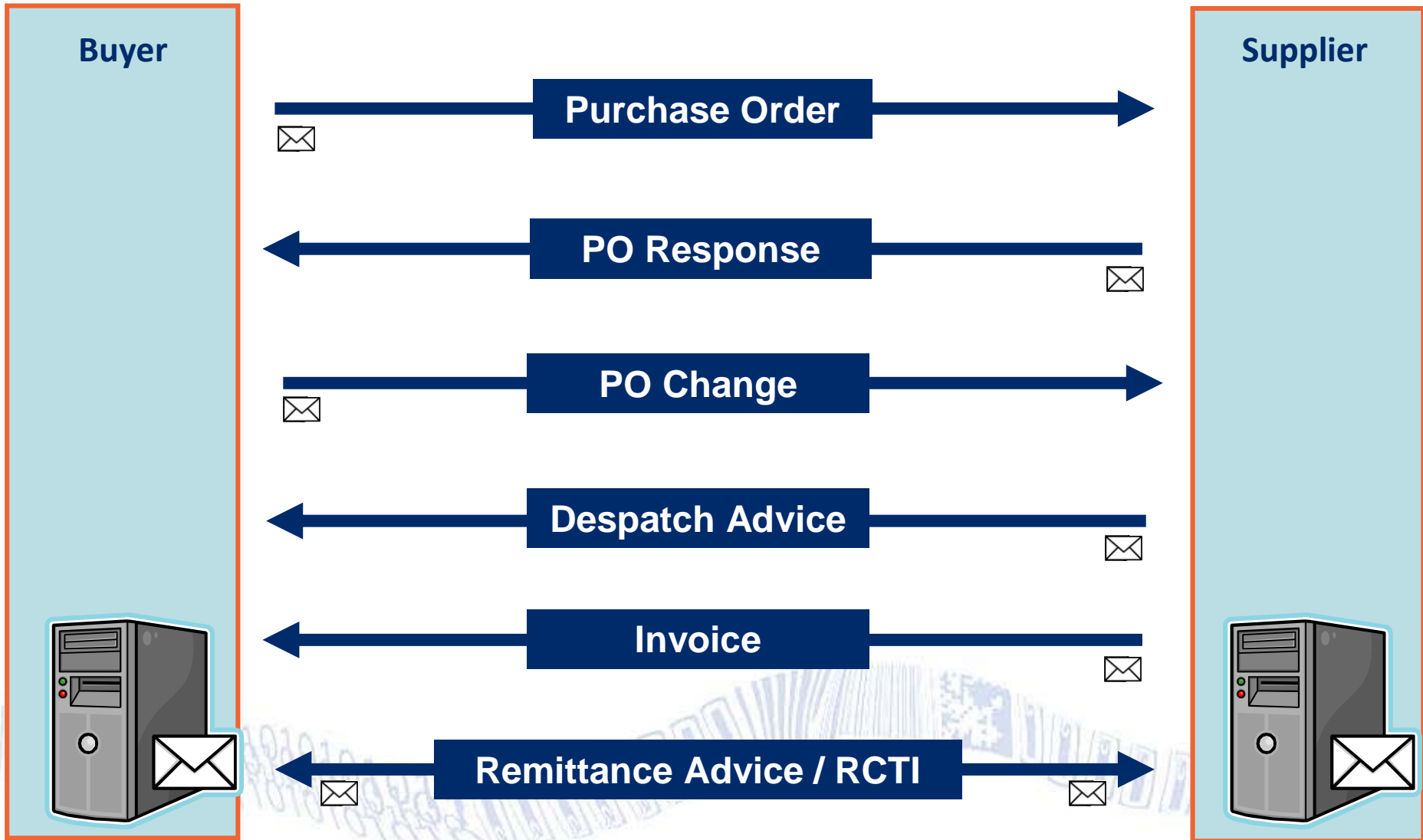
# What are business documents?

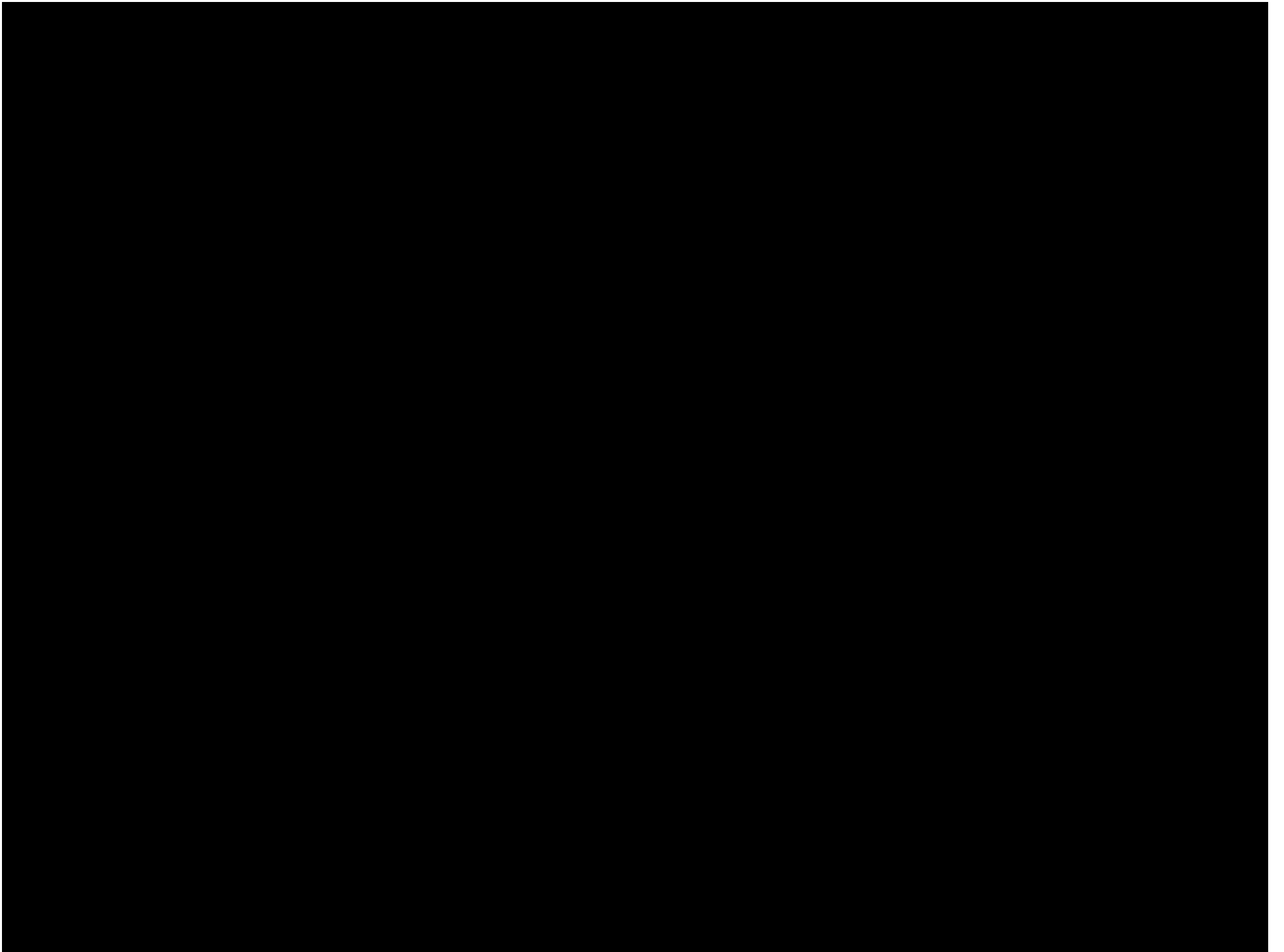






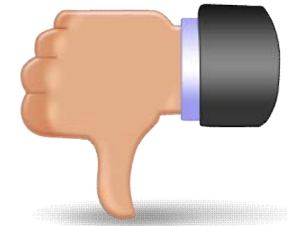
# Typical automated document flow for Retail







# Business impediments of manual communication...



Dependent on third party to get it right

Labour intensive

Often inaccurate

Interpretation required

Lack of security

Difficult to analyse the data

Loss/damage to physical documents

Ability to refute communication

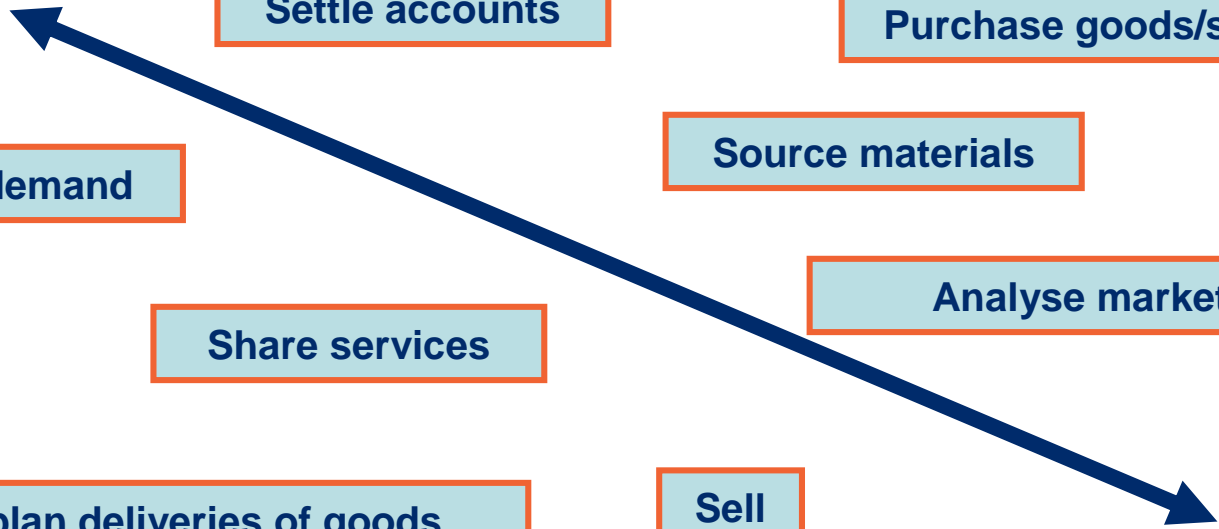
Physical Storage required

Slow





# Businesses communicate to ...



Trade

Share data

Settle accounts

Purchase goods/services

Forecast demand

Source materials

Analyse market trends

Share services

Manage and plan deliveries of goods

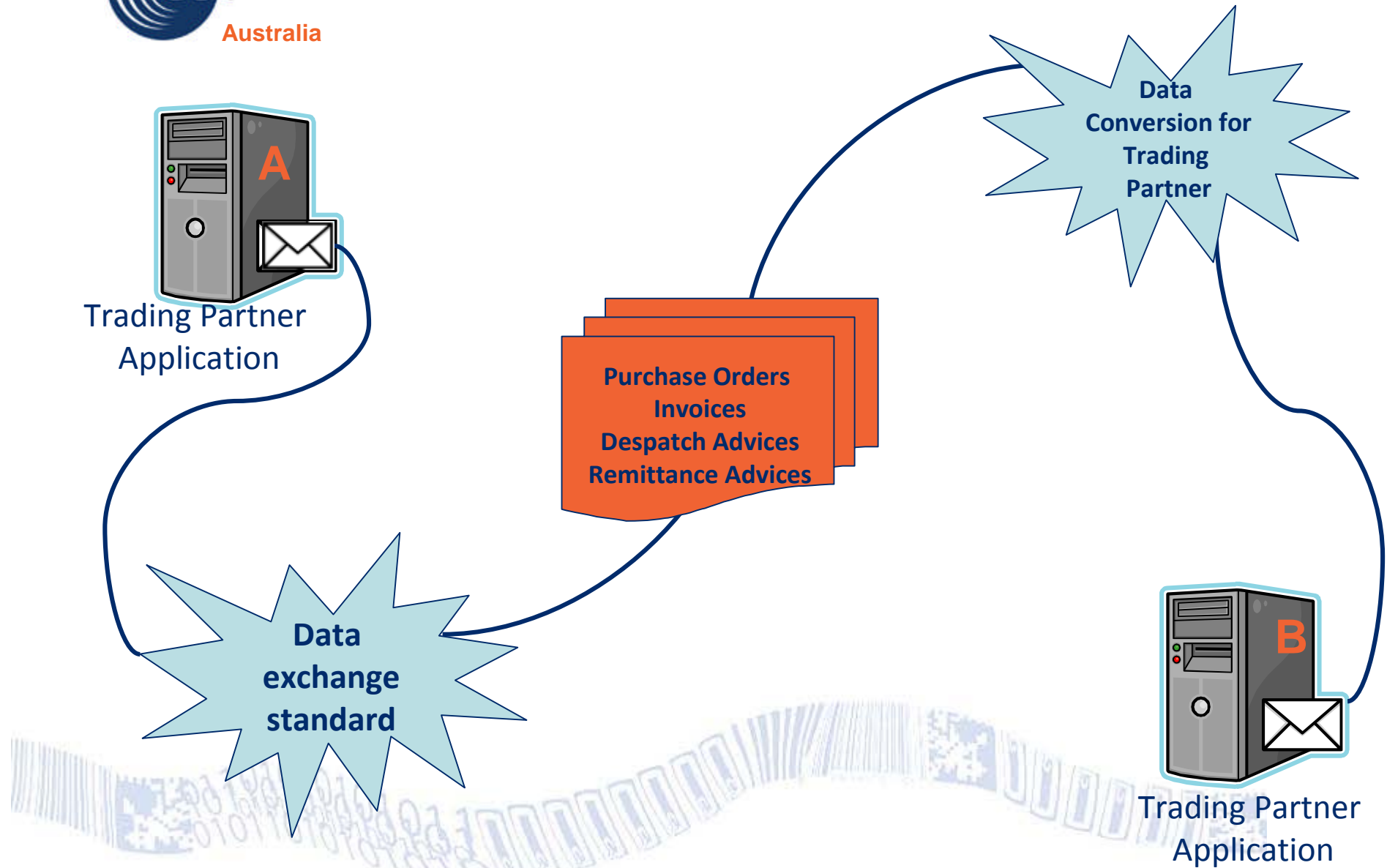
Sell

Align product master data





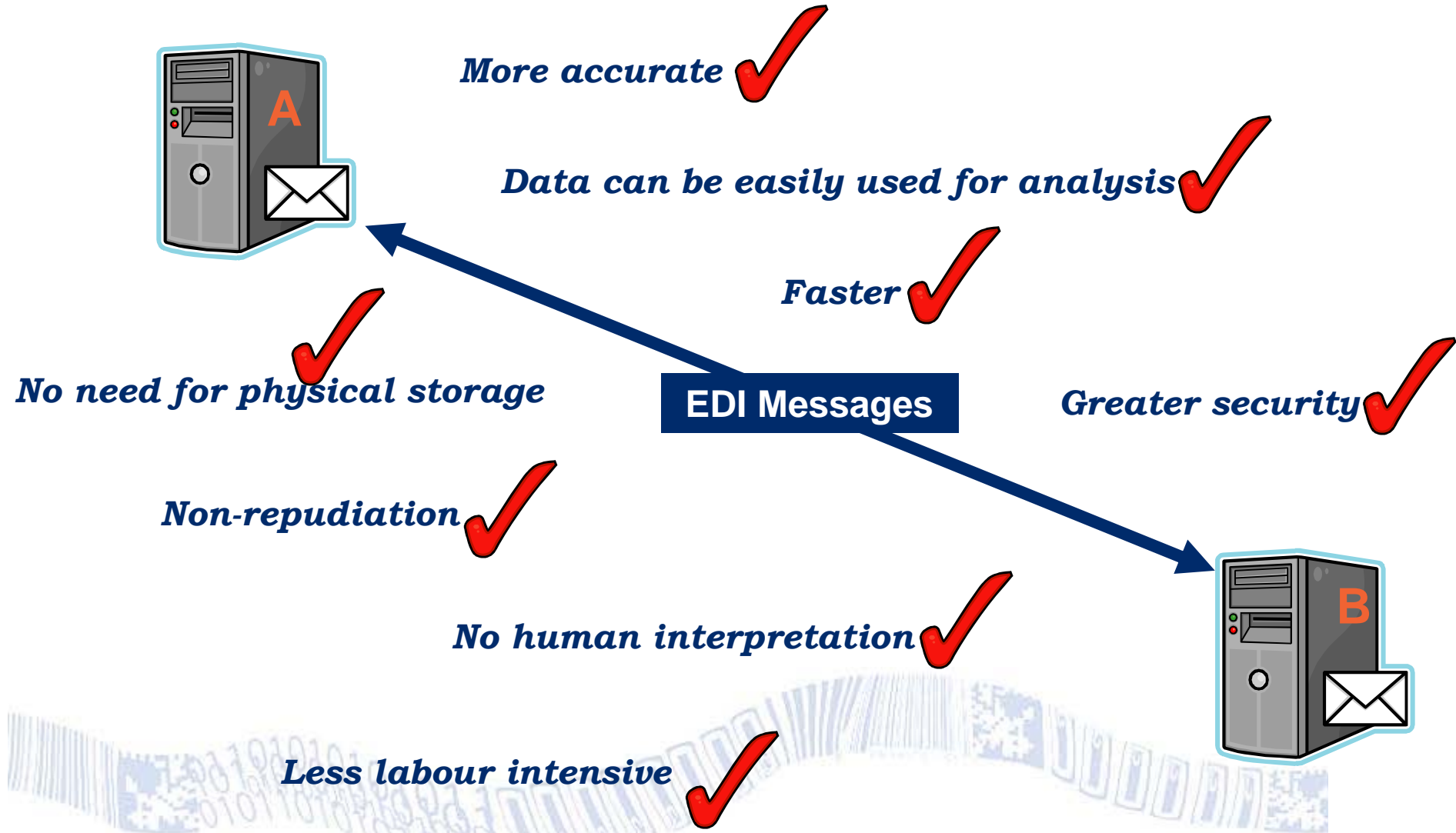
# Electronic Business Trading







# Business Trading via eMessaging/EDI is:





# Quantifiable Business Benefits

## Its faster

- Increased speed to market
- Faster receipting
- Quicker stock replenishment
- Quicker order to payment cycle

## Data is more accurate

- No manual keying of data – less risk of error
- Fosters punctual payment – improved cash flow

## Improved process efficiencies

- Fosters lean supply chain
- Improved supply chain visibility – *what's where?*
- Improved reconciliation

## Cost savings

- Administrative overheads - Less human intervention
- UK grocery sector saves 650million pounds per year\*

## Eliminates paper

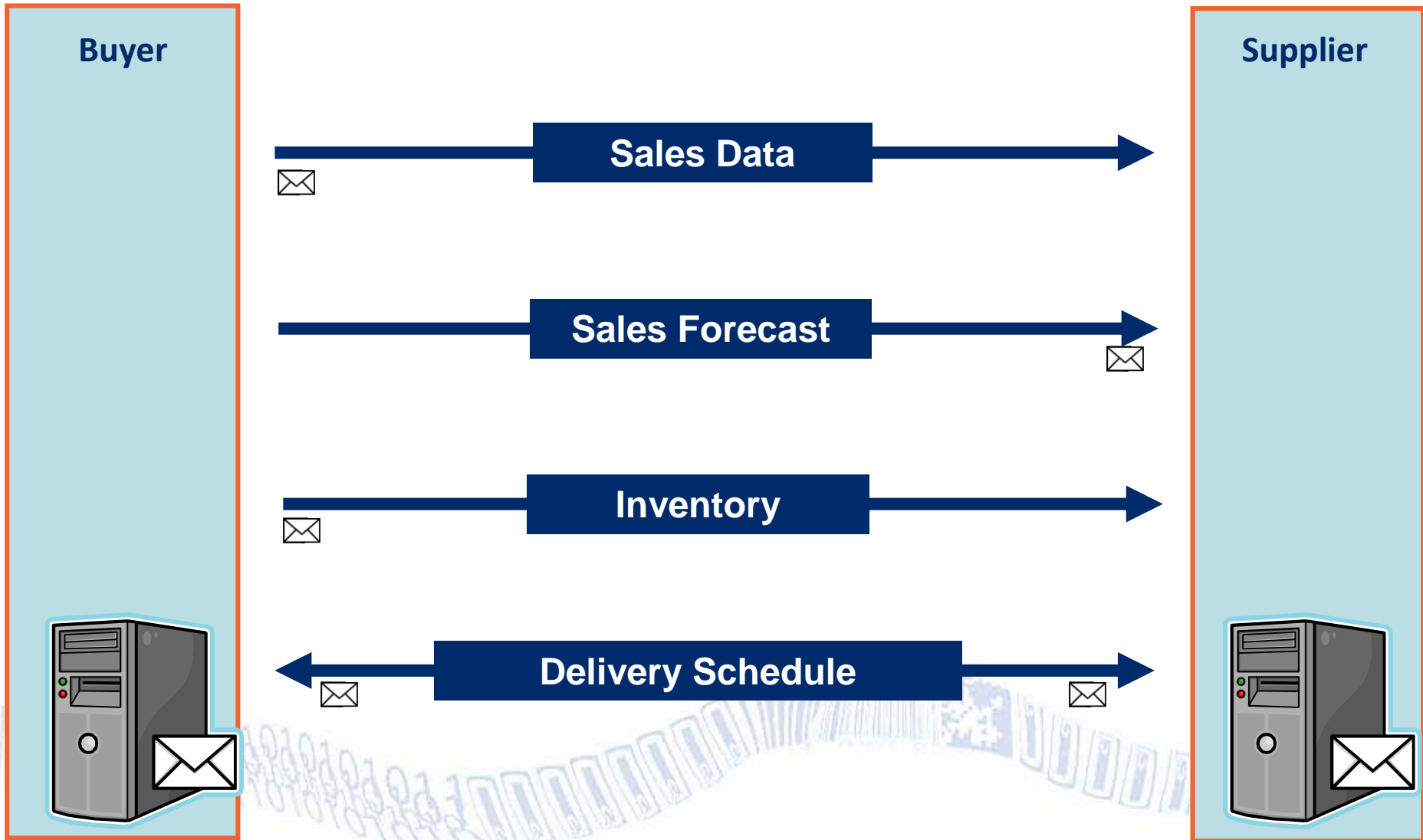
- Supports sustainability
- Corporate social responsibility

## Opportunity

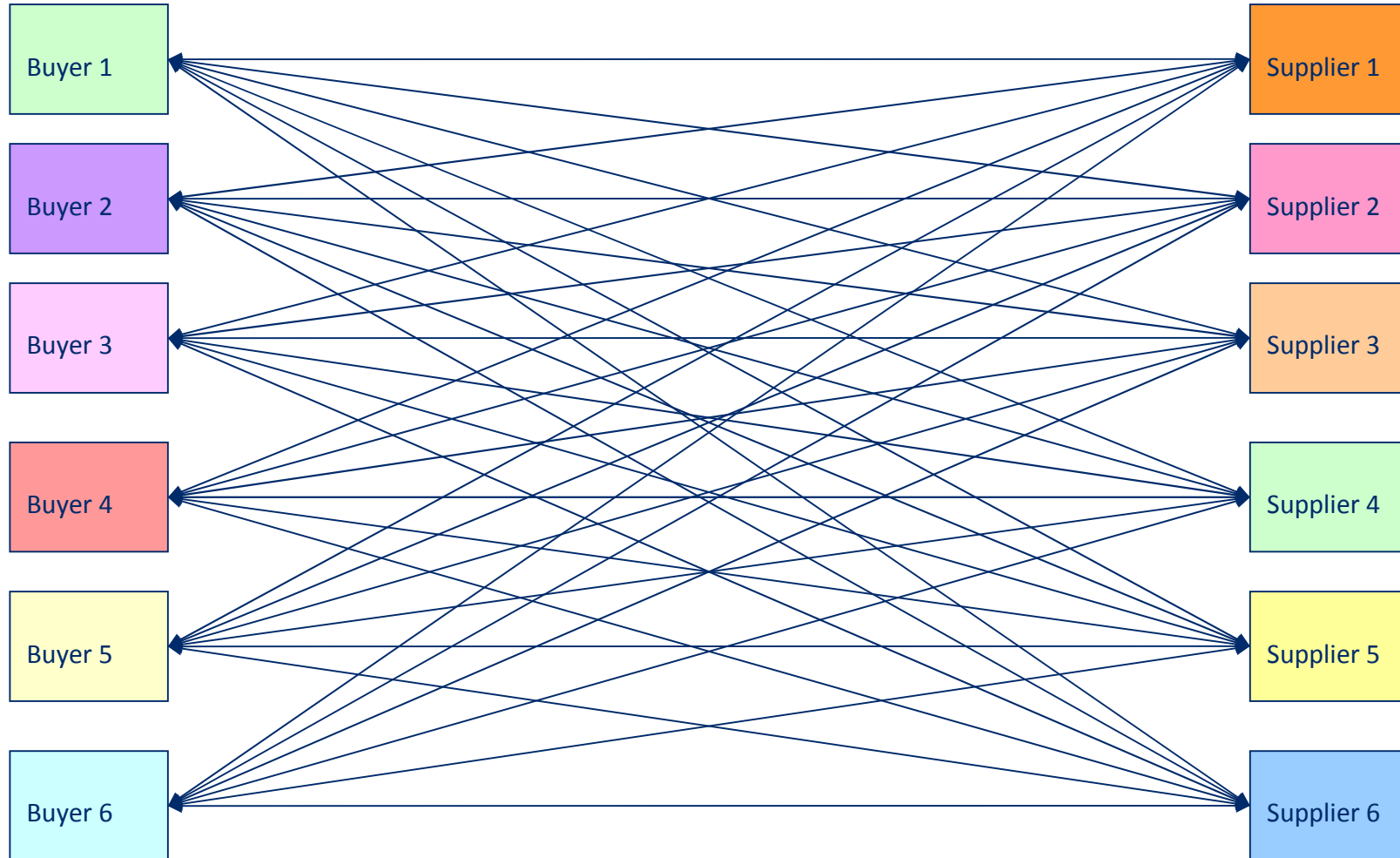
- ~80% of companies still use manual, paper-based processes.
- Leap ahead, gain competitive advantage

\*Source: EDI Cost Savings Report – GS1UK/Cranfield School Management Study

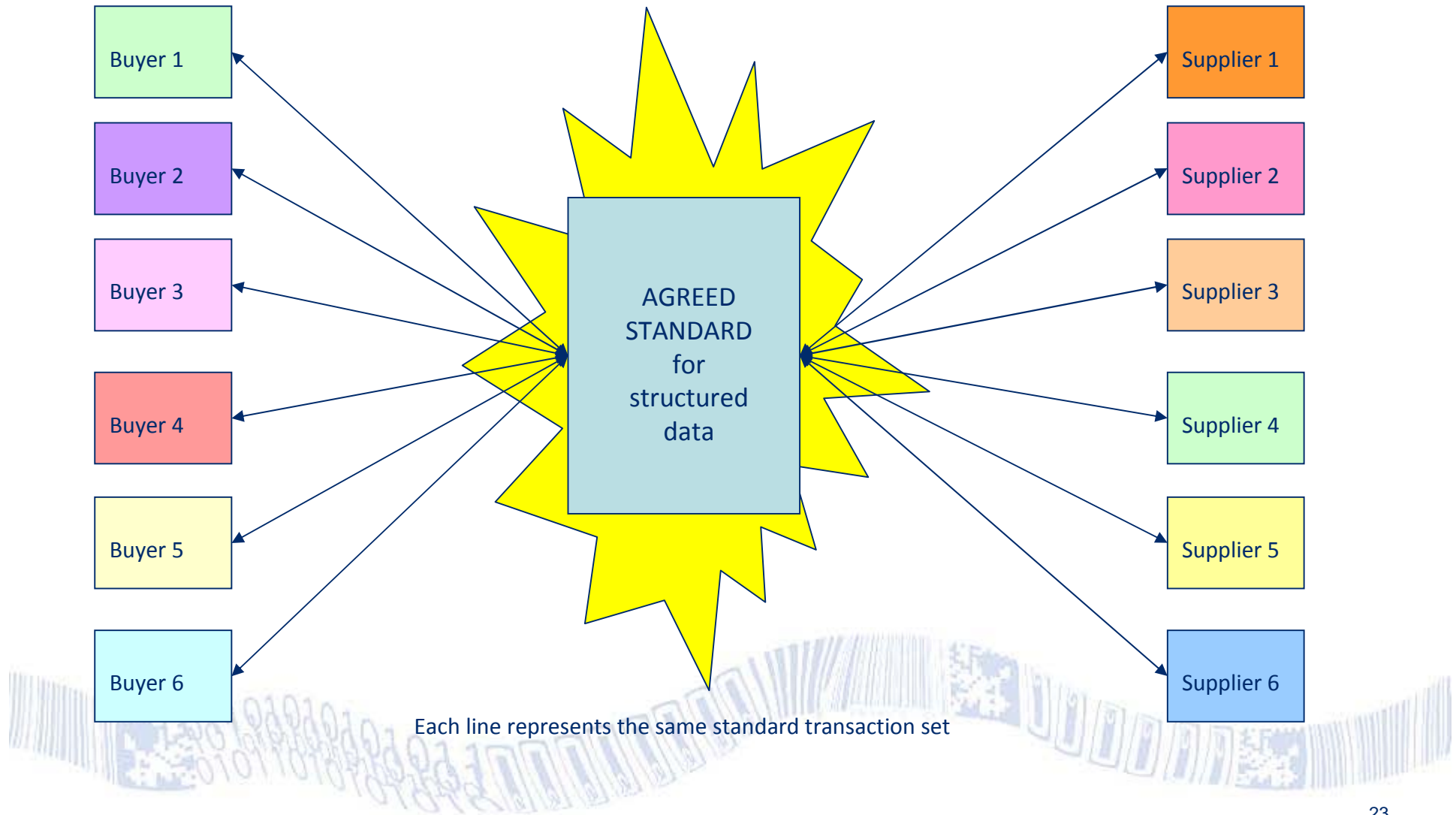
# Additional documents



# Without a common language...



# Trading with an agreed standard





# GS1 Identification Keys in eCom

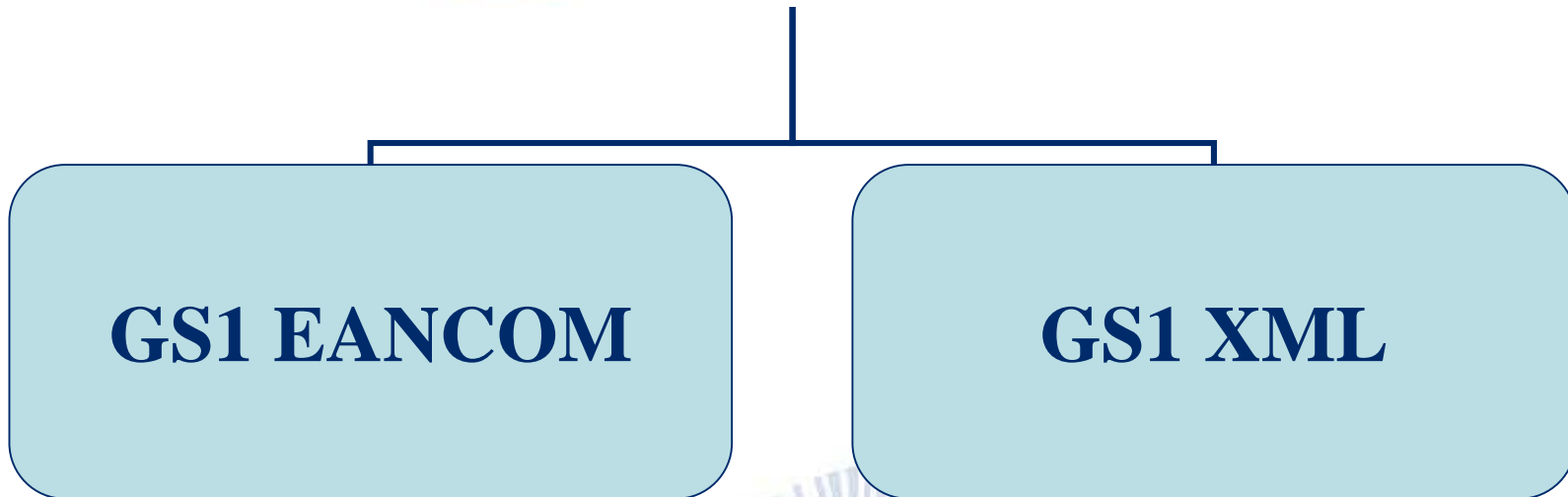
The GS1 standards encourage and often mandate the use of the GS1 Identification Keys to identify parties, products and logistics units

- Global Trade Item Number (GTIN)
  - Whenever a product is identified
- Global Location Number (GLN)
  - To identify sender/receiver of the message
  - To identify many of the party's to the message
  - To identify many locations defined within the message
- Serial Shipping Container Code (SSCC)
  - To identify logistics units within transport messages





# GS1 eCom Standards





# The Despatch Advice

Australia



Approve settlement

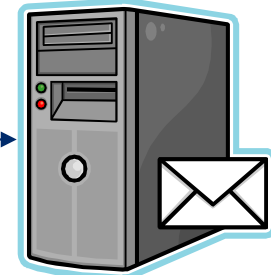


Electronic Reconciliation

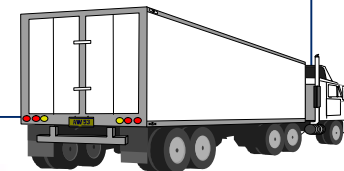
Supplier picks order



Despatch Advice Message sent to buyer



Prepare for despatch



Goods delivered to buyer



# The Despatch Advice – its role!

Replaces the paper packing slip

Is created at the time of despatch

Products are scanned to make up the shipment

Electronic packing slip (Despatch Advice/ASN)– matches the physical goods

Is sent ahead of the physical goods

Receiver of Des Advice has advanced notification of the impending arrival of the shipment

Can allocate resources – people, time, space...

Provides automatic reconciliation

- Against purchase order
- Against physical goods (when they arrive)

Coupled with appropriate barcoding, expedites putaway of stock

- no need for manual count
- Automatic adjustment of stock levels
- Earlier availability of goods for sale

Full visibility of orders & receipts

- Three way match = order can be processed for payment
- Manage by exception

Supports faster order to cash cycle



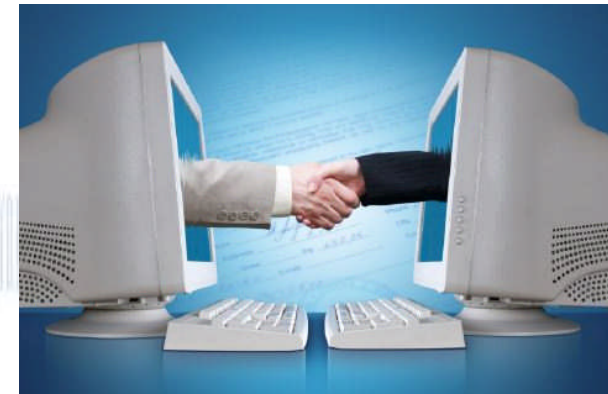
# Where to start?





# Key Players

- **Retailer – Hub**
  - The purchaser
  - The originator of EDI traffic
  - The ‘customer’
- **Supplier**
  - Engaged in the B2B process as a supplier of goods and service to the retailer – hub
  - Mutual agreement on document exchange in a structured and pre-determined way
- **Third Party Services**
  - Value Added Network
  - Transport and Logistics
  - Warehouse and Distribution
  - Software Providers
- **GS1**
  - Assistance
  - Impartial advice





# Key considerations

- Senior management buy in?
- In-house or Third Party?
- System integration?
- What is the hub's preferred way?
- What is the industry doing?
- What is the volume of business?
- What resources are available?
- Limitations?
- Key trading partners?
- Business case?





# Reverse Logistics





# Reverse Logistics

Return of goods from point of consumption to point of purchase or point of manufacture

Increasingly incorporating end of life management!!

Many challenges:

- Managing returns
- Managing the paper trail
- Providing customer satisfaction – timely response
- Costly for all concerned
- Credits pile up
- Gaining approval for the credit
- Accepting the return
- Keeping track of returned stock
- What to do with returned stock
- Many different processes to manage and have in place
- Many parties to communicate with
- Manufactures and Retailers have different Business Processes
- Data collection is sporadic



# Returns – why they happen?

## Carrier related

- Damaged product
- Damaged packaging

## Retailer related

- Damaged product
- Dead On Arrival
- Warranty exchange
- Order cancelled
- Order incorrect
- Delivery rejected

## Sales / Service Support related

- Order entry error
- Goodwill return

## Warehouse related

- Wrong product
- Other error - unspecified



## Reverse Logistics – some stats

- Returns average over **8% of total sales**

*(Metreks inc 2010)*

- **6% of all items** sold are returned

*(Returns Logistics 2009)*

- **68%** of items returned are assessed as “**no fault found**”

*(Accenture report 2007)*

- Returns **cost 4 times** as much to process as outward goods

# Maturity of Reverse Logistics



- No process
- Limited understanding

- Poor process
- Growing understanding
- Awareness of environmental & warranty value

- Solid process for repair and 3PL operation

- Strong process for large product range
- Greater environmental legislature and warranty recovery

- World class optimised process
- Environmentally compliant
- Excellent warranty claim process
- Waste material as revenue stream



## Considerations for eTail channel...

What is the returns policy

What is the physical returns process for the consumer

How will this process be managed

How will the communication be managed

- To the consumer
- To the supplier (if applicable)

Due focus – the consumer's perspective...

- Easy to buy
- Easy to return
- Easy to do business with = *happy customer* = *return customer!*

Same experience as B&M offering



# GS1 Australia Services and Support







# Thank You!

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