

Case Study

Maximizing Supplier Eligibility Through the Return Process



{ Highlights }

- RMAs increased from 3% to over 10% in two years, causing the Client to seek help from SRCL.
- Most often, an RMA is created because the part does not match the supplier's core criteria or core values. Thus, the supplier must classify the part as "mislabeled."
- The data gathered by SRCL confirmed RMAs were a collective issue, not an individual issue.
- SRCL attributed the RMA increase to core criteria and core values that were not aligned systematically.
- Following updates to core criteria and core values, parts classified as "mislabeled" decreased by 80%, thus improving the return process.

The Goal

To decrease the number of returns caused by "mislabeled" parts, the Client must identify the reason for the return increase and find a solution to increase supplier eligibility.

The Process

In a return process, a part must "pass" inspection based on visual characteristics and physical attributes that are defined by the criteria. Then, the core facility ships "passed" material to the supplier.

If the supplier cannot remanufacture the part, they issue a Return Material Authorization (RMA) to the core facility and return the core. Usually, an RMA is created when the receiver's core criteria does not meet the supplier's core criteria, causing the part to be "mislabeled" and returned to the core facility for correction.

The Challenge

Since the Client's partnership with SRC Logistics, Inc. (SRCL), the following has occurred for the Client:

- ✓ The Client transports hundreds of thousands of core annually.
- ✓ The Client's remanufacturing program has resulted in an average of 26% sales growth year-over-year.

Although this growth was welcomed, it came with challenges to the Client's RMA process. The increase in RMAs caused the following:

- ✓ RMAs rose from 3% to over 10% in two years. By the end of the second year, one in every 10 parts received at the facility was an RMA.
- ✓ "Mislabeled" parts was the reason given for 90% of all RMAs, resulting in \$170,000 worth of parts being returned.
- ✓ Suppliers were not maximizing their eligibility and were instead spending more on labor and shipping costs than necessary.

These challenges resulted in the Client asking SRCL for help with a solution. SRCL rose to the challenge with the goal to eliminate the surge of RMAs.

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The Solution

First, SRCL collected data on RMAs entering the facility, and then they recorded metrics for the inspection date, name of the part inspector, and unique identifiers used for RMAs. SRCL then analyzed the data and concluded the following to be true of the current return process:

- ✓ The cause of the RMA increase was not an individual issue but a collective issue.
- ✓ The RMA increase can be isolated to core criteria and core values as the cause for “misabeled” parts.

After collecting and analyzing the data, SRCL identified the top three suppliers who created the most RMAs. They invited the suppliers' top core expert and top core inspector to discuss the RMA increase. From the meetings, the team determined the following:

- ✓ Core criteria must be centralized and transparent to ensure all parties are referencing the same part information.
- ✓ Core values must be aligned systematically between all parties to ensure shipping and labor cost remains low.

The Results

SRCL implemented the updated core criteria and core values into the RMA system. Since the implementation, the following results have occurred for the Client and SRCL:

80%

The Client's RMAs decreased by 80% and have not grown past 3% since the implementation.

10K

The Client and SRCL have saved 10,000 hours worth of labor cost.

99%

Currently, 99% of core parts are labeled correctly among Clients that adopted SRCL's RMA solution.

Due to our joint efforts between SRCL, the Client, and the supplier, the Client has decreased RMAs, improved supplier eligibility, saved labor and shipping cost, and found a sustainable solution to the return process that works year-after-year.

About SRC Logistics

SRC Logistics, Inc. (SRCL) is a provider of third-party logistics services that specializes in reverse logistics related to the remanufacturing industry and core management. With over 30 years of experience, we are dedicated to helping customers sell more parts and whole goods through custom remanufacturing programs and core management assistance.

SRCL offers several services that help customers grow.

- Core management
- Reverse logistics
- Transportation management
- Distribution
- Warehousing
- Customized IT solutions



Contact SRC Logistics



LOCATIONS

2065 Pythian Street
Springfield, MO 65802

3055 East Division Street
Springfield, MO 65803

PHONE

(417) 864-4946

WEBSITE

www.srclogisticsinc.com