

SERVICES OF RETURNS MANAGEMENT AT LOGISTIC CENTRES

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ABSTRACT Returns of products occur in almost every kind of economic active companies. Important challenge is to use the proper management practices for returns handling. The companies that are aware of such functionality might expect the bigger market success than others. Proper returns management means not only actions taken by the companies themselves, but also activities that can be fulfill by other logistic parties, supporting and supplementing them, so here for example logistic centers. The main purpose of this paper is to present the role of logistic centers and logistic services provided by them for supporting and supplementing activities connected with returns management in Polish reality. The paper presents at first the services at logistic centers and the concept of returns management. Next there is a brief description of research methodology in the form of survey conducted in Polish enterprises. After, research results are pointed out together with illustrative idea of usage the services of logistic centers for more efficient and effective returns management. Finally, there is a short conclusion with the discussion and suggestions for future research.

Introduction

Recently, because of developing economy and growing customer's needs and awareness, a lot of companies faced of the problems concerning increasing level of products that are returned. The enterprises must deal with product returns to keep the balance of their economic activity. In this case the concept of returns management is very useful. It is dealing with flows of returns such as product recalls, warranty returns, service returns, end-of-use

returns, etc. But it is not necessary that returns management have to be organized by the company. Focusing on competition, market, economic and environmental aspects, it is possible that the function of providing the services of returns management would be the scope of logistic centers.

These logistic entities are undoubtedly one of the most important elements in the logistic chain. Thanks to them is guaranteed to organize flow of goods or returns with a simultaneous reduction of logistic costs. Also important are: storage in the most appropriate conditions for a specific products/returns, professional separation, packing and loading of products/returns, the possibility of fast delivery, shorten transport routes and optimum utilization of the trips, which not only reduces traffic, but also environmental impact. The main goal of logistic centers are: the availability of certain material goods in the necessary quantity at the desired place at the right time and at the lowest possible cost (Starostka-Patyk, Skowron-Grabowska, 2016). At this base it is possible to identify the functions of logistic centers services for returns management.

The concept of returns management

In each chain of delivery, its reverse direction may be generated. Even though it seems to be a complex task, it may be achieved providing that the management process operates properly. The return of product is usually perceived negatively by a customer what can later result in adverse relations with the given brand.

In reverse logistics, the returns management has a wider scope of application than just returning the product (Stock, Speh, Shear, 2006). Its scope covers elements such as marketing, financial operations and accounting. Integration of all of these areas creates a new branch of logistics, which may result in creation of whole chains covering the management of any kinds of returns. This is a new phenomenon, whose features have just been emerging. The opportunity for research is provided, which will define this phenomenon, its influence on managing processes and logistic approach. The development of this branch is also influenced by global eco-politics, which is conducive to gaining or rather recovering value from goods that have fulfilled their basic task and finished their cycle. All of current tasks, which aim to obtain as much information as possible about this phenomenon, will contribute in the near future to the emergence of a new management theory, namely, the returns management process.

Returns management requires very good knowledge of products' production processes, and assessment whether a given product has the processing capacity at all and whether it will be profitable. In order to manage returns rationally, it was established that customers presenting some kind of financial value should also be implemented in the management process. The returns management process is influenced by various directives which pose as its primary pillar. The actions of entrepreneurs must comply with law, which more often and wider defines the framework of these actions by applying numerous restrictions resulting from pro-ecological policy. Entrepreneurs must therefore constantly follow all amendments and use functional and flexible solutions in order to adapt to changing conditions (Mollenkopf, Russo, Frankel, 2011).

In Europe, the concept of returns management has started to be more and more popular. In recent years, the awareness of Europeans towards ecological activities has increased significantly which gives the basis to the creation of new trends in returns management. (Szymczyk, 2016)

Logistic center as services provider

Logistic center is a facility that provides a wide range of logistic services. These facilities are spatial objects with certain features situated in key areas which allow their functioning. Main tasks of these centers are related to

the receipt, storage, distribution and delivery of products, as well as range of other services provided by entities independent of the sender or receiver of those products (Rydzkowski, 2007).

Logistic centers are considered to be a very efficient form of transforming the areas with a bad economic situation because their creation not only gives a start to new investments related to the arrival of new entities, but they also contribute to the stimulation to activity of the local economy (Kucharczyk, 2014).

The modern market of logistic services is relatively well developed (Brzozowska, Starostka-Patyk, 2006) and the logistic centers, which cover a wide range of activities, bring consistently added value (Skowron-Grabowska, 2010), as shown in Figure 1.

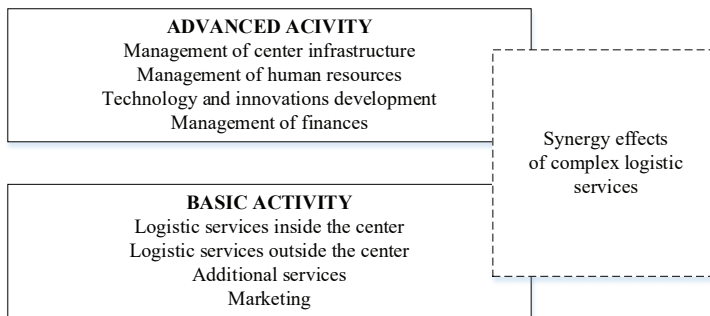


Figure 1. Activities of logistic center

Source: Lisiński (2004).

The primary functions of each of logistic centres can be divided into three main groups: basic, complementary, supporting and market oriented. The details of these functions are presented in Table 1.

Table 1. Functions of logistic center

Basic functions	Complementary functions	Supporting and market oriented functions
– shipping	– intermodal transshipment loading units	– vehicles technical service
– transport	– customs service	– sale of fuels, oils and accessories
– storage	– insurance	– container and other transport packaging repairs
– inventory management	– management of collective transport packaging trade	– waste disposal
– order management	– rental of containers, pallets and other transport packaging	– supply of energy utilities
– supply management	– IT and telecommunications services	– hotel services
– distribution management	– promotion and marketing	– catering services
– packing		– banking services
– completion		– accounting services
		– telecommunication services
		– cleaning services

Source: Kisperska-Moroń, Krzyżaniak (2009).

Because of logistic centers multitask, they are able to pursue a wide range of operations and offer a broad scope of services to their customers. They provide therefore a universal and exceptionally helpful solution to product

management including the return of products. These centers have already been operating in a number of European countries and vary in the degree of advancement towards return management tasks.

In Poland, this kind of services is considered to be a big support for entrepreneurs, for which there is constantly growing demand in a market. While, existing logistic centers offer a wide range of services, they are not targeted at returns management processes what means that they also do not support the process of return. They primarily offer the basic services, whose characteristics and development over the last few years are shown in Table 2.

Table 2. Services offered by Polish logistic centers (%)

Services	2008	2009	2010	2011
Transport	100	100	100	100
Storage	26	47	100	100
Inventory management	26	47	100	100
Planning and analyzing of logistics	6	13	33	60
Packing	20	40	60	80
Customs	20	13	26	27
IT systems	6	6	26	27
Car park and car maintenance	6	13	20	20
Hotels	–	–	20	20

Source: Kott, Grondys (2013).

The above presentation shows that although the scope of services in logistics has been increasing and for some services even quite considerably, the services related to return process still show very low presence in the market. New entrepreneur who want to succeed in the process of creating new logistic centres enter the potentially niche market, which may result in increase of the demand for this type of service, providing that appropriate steps of cooperation are taken with key industry entrepreneur.

The mutual market relations and tasks which result from them, create the opportunity for development of the services concerning the returns management.

Research methodology

The research was made in the first quarter of 2014 year in the form of questionnaire (Starostka-Patyk, 2016). This questionnaire had 20 questions and was divided into 3 sections: main section, information about responding company and confidential part. The research was quantitative, and was conducted through telephone interviews (CATI) by a hired an outside company that specializes in this type of research. The main goals of the study was to receive the information related to the returns and the manner of their management in the studied companies.

The survey was addressed to Polish manufacturing companies in sectors with high potential for the creation of returns, so mainly automotive, household appliances, electronic and computer equipment, toys and clothing, etc.

Respondents were representatives of companies holding managerial positions at the level of the entire company and those who were chosen by them – identified as responsible for taking back returns and develop strategies and policies of the company in this field.

The sample covered 302 manufacturing companies located on Polish territory. It has been determined based on statistical calculations and is a representative sample (Zawada, 2004), so that the results of the study reflect the situation of all Polish production companies.

Research results

For the purpose of this paper only part of the research results was taken into account. In this regard, the question was about self-reliance of identified activities connected to returns management realization. The surveyed companies could point out if these activities are taken by themselves, are outsourced or are not realized at all. The results given by respondents are presented in Table 3.

Table 3. Activities of returns management in Polish enterprises (%)

Returns activities	Self-reliance	Outsourcing	Not realized
Take-back	64	3	33
Donation to the charity	17	1	82
Re-packaging and sell as new	20	2	79
Re-sell	19	1	80
Renovation (repair, cleaning, etc.)	45	6	49
Usage for production as components or secondary raw materials	23	7	70
Sell-out	28	0	73
Disassembly to elements for re-use	18	6	76
Recycling	33	16	52

Source: Starostka-Patyk (2016).

It is possible to observe that in Polish production enterprises most activities regarding returns management is not realized at all. 64% of companies is taking back their products themselves, and 45% is realizing the renovation processes. The rest of activities is realized self-reliance with the low percentage indicators, or is not realized at all with higher percentage indicators.

Such situation is not recommended for Polish business. The enterprises use logistic services providers too rarely, while the European level of such services is on much higher position (Nowakowska-Grunt, 2011).

With the example of other European countries it should be noted that logistic centers have large impact on returns management practices and by supporting enterprises with returns management services create added-value for them (Tundys, 2011). Such supportive role of logistic center is presented at Figure 2 highlights how big role might play the logistic center in returns management.

By the point of logistic center all other entities involved in returns management are connected. It means that with the support of logistic centers services all other participants dealing with returns flows can redirect these flows to this one point, and thanks to it, they do not have to manage the whole way of these flows through all participants. With such solution, all participating enterprises can focus on their primary economic activity, with usage of outsourcing for managing the returned products. It is a huge advantage, because returns management is difficult in many points at operational, tactical and strategic levels, and that is why many companies do not manage returns properly or they do not manage them at all (Grondys, Bajdor, 2016; Dziadkiewicz, 2007).

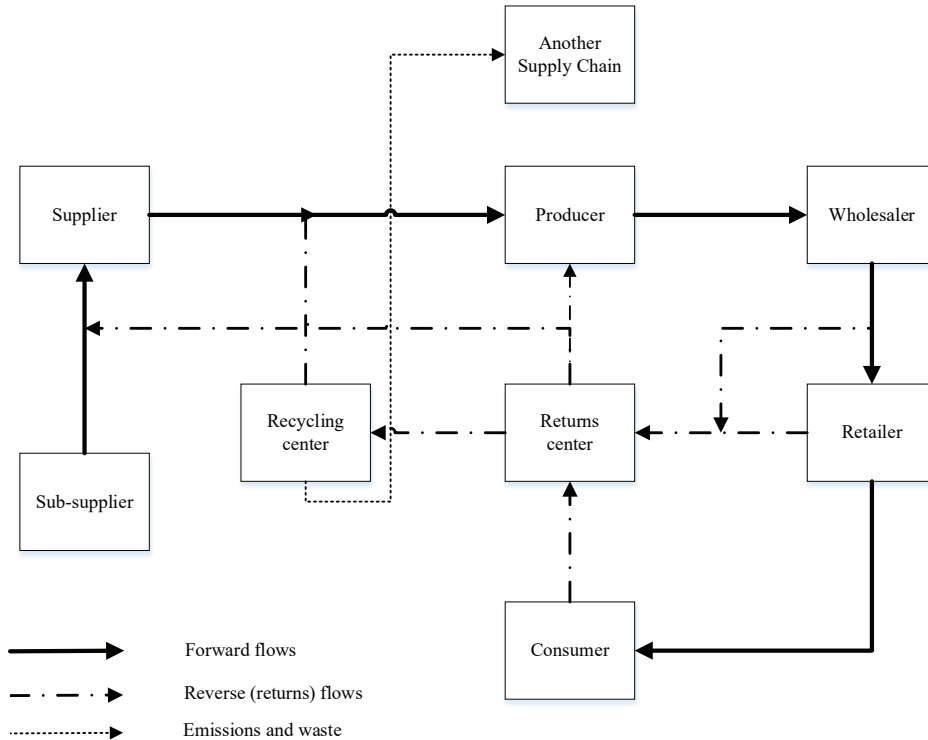


Figure 2. Support activity of logistic center in return flows management in enterprises

Source: Nitkiewicz (2015).

Also, what is important in the case of returns management, logistic centers are very useful for information flow support. When the logistic center is already managing the returns flows, it is also obligated to manage the information connected to them. This is the crucial activity, because with lack of information the returns management is not possible to exist. And this is important, especially because managing information in case of returns management is much more difficult than in case of regular products in traditional logistic flows.

The flows of information in case of returns management by logistic center is presented at Figure 3.

Figure 3 shows that the flows of information about returns are multidirectional and include all participants. This highlights the reason for using the logistic center for support activities of returns management in enterprises. Thanks to this solution all involved entities are able to receive a full package of necessary information that allows them to plan future actions regarding returns management.

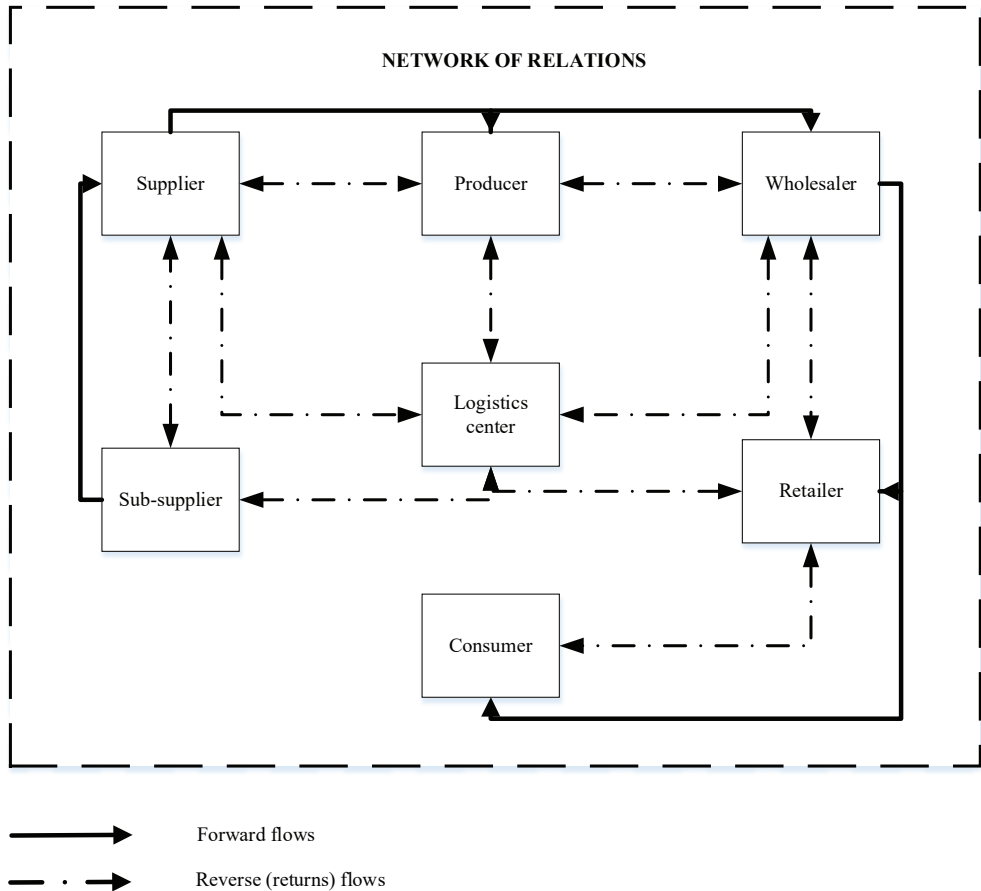


Figure 3. Information exchange about return flows between logistic center and other involved entities

Source: Nitkiewicz (2015).

Conclusions

Poland is one of the European countries that still develops its market, also the logistic one. Even if logistic centers exist here already for several years, they still need to be developed with some new services. While the consumer market seems to be very demanding and by this the returns management becomes more and more important in the companies' strategy, logistic centers development can cover this area with their supporting and supplementary services.

This paper presents the services of logistic centers in Poland as the answer for increasing need of logistic services for returns management. The research made shows that enterprises do not realize themselves most of activities in area of returns management. This proves the lack of solutions. The good practice would be to widen the services of logistic centers with services supporting and supplementing the companies with returns management. The useful way would be to implement the cooperation between companies and logistic centers on

returns management practices, because than the enterprises could focus on their primary activity. Such cooperative solution gives benefits for all participants, also with creation of added-value. It is worth to focus the future research deeper at this problem to receive some concrete solutions in the case.

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