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Optimize, integrate and track your reverse logistics processes with SAP Advanced Returns Management

In today's competitive market, companies are continuously looking for ways to better serve their customers and boost customer satisfaction.

With the increased importance of the e-commerce market, returns are becoming a more important process of the entire supply chain Depending on the industry, return rates can easily go up to 40 % in B2C and 5 % in B2B. Reason enough for companies to efficiently organize the returns process and support it adequately from an IT point of view. An efficient and straightforward returns process, in which returned goods are swiftly processed to provide customers with a fast and correct refund, is becoming a vital part of the customer service strategy.

However, bringing the best service to customers does not mean that companies should give customers the absolute freedom to return goods at any time, nor should companies fully reimburse customers for the returned goods. Many companies set up an approval flow to accept or reject return requests and apply rules to add surcharges for return handling or to not reimburse customers at all in case goods are returned damaged.

For companies with a high return percentage it is crucial for their ERP system to support the returns process adequately. ❯

What is SAP Advanced Returns Management?

The Advanced Returns Management (ARM) solution of SAP provides the process efficiency and transparency needed to meet today's expectations of companies to support the returns process.
SAP ARM is a business function within the existing SAP Enterprise Central Component (ECC) and SAP Extended Warehouse Management (EWM) environments and brings out-of-the-box processes and functionalities for returns management, covering both supplier returns and customer returns.

Returns Overview

Employees involved in processing returns can use the Returns Overview transaction to monitor the returns process. This transaction provides an overview of all the process steps, all the follow-up documents created, as well as information on the status of logistical processing and refunding. ARM herewith offers more transparency and overview on the entire returns process.

Material Inspection

Simplified material inspection transaction to enter inspection results for returns deliveries.

Definition of Logistical Follow-Up Activities

Use logistical follow-up activities, already during return order entry, to specify how the products should return and what the final destination will be. ARM allows returning products via different warehouses before reaching the final destination for inspection. Even after inspection, the logistical follow-up activities can include the move of goods to other locations (e.g. supplier, customer or other warehouses).

Automatic Creation of Follow-Up Documents

The system can automatically create follow-up documents based on the settings for logistical follow-up and refund control. Examples of follow-up documents are returns stock transport orders, returns purchase orders, inbound and outbound deliveries and goods movements.

Returns Refund Determination

ARM allows companies to specify when and how customers are refunded, as well as how much will be refunded. ARM makes it possible for companies to include "penalties" for damaged goods or extra services (e.g. repacking) that are then automatically deducted.

Picture 1: SAP ARM process overview
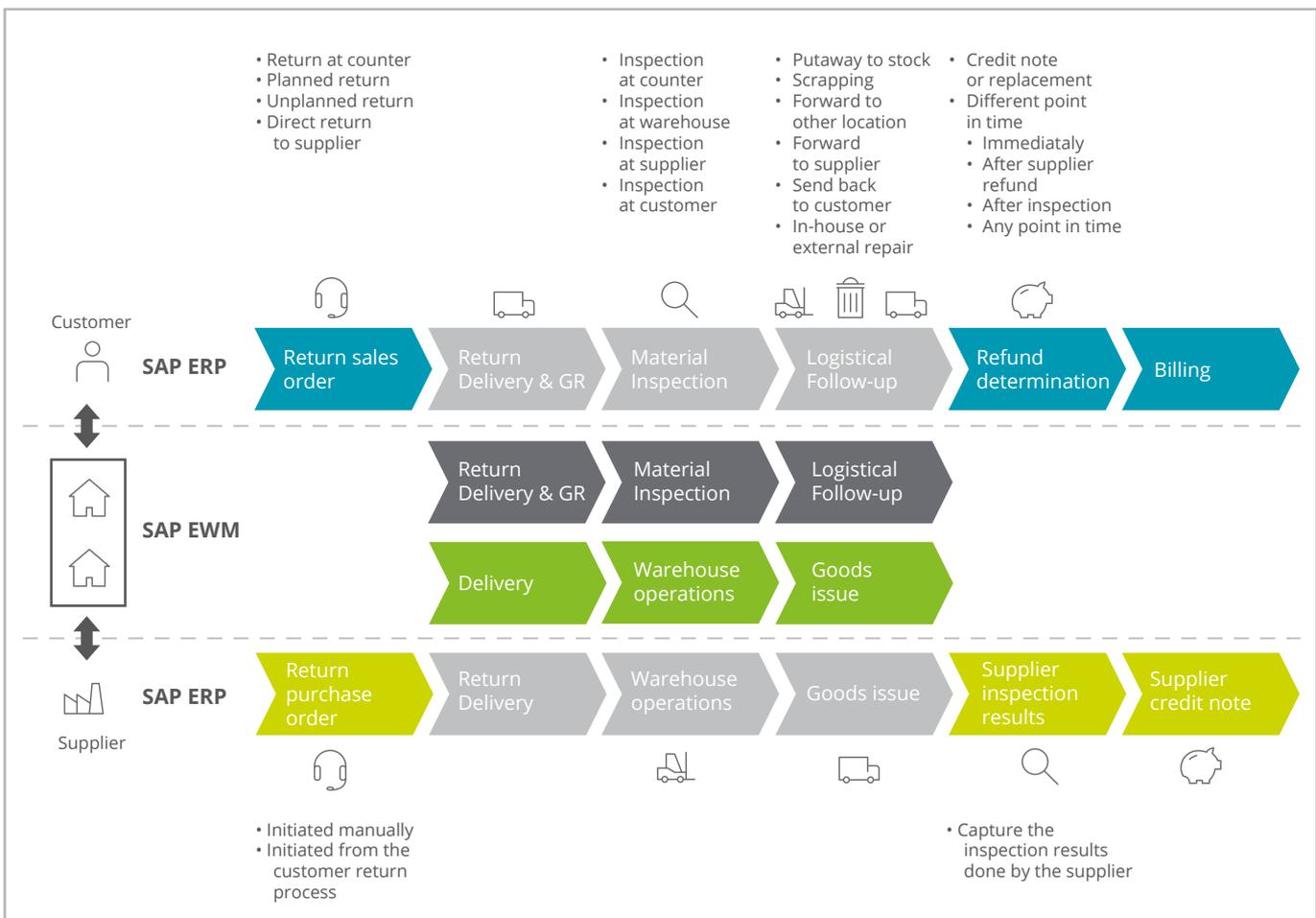
What are the advantages of SAP ARM vs the traditional SAP returns flow?

SAP ARM introduces much more options to move goods along the entire supply chain, integrated from customer via one or more warehouses to suppliers and back. At each step in the process, the next logistics follow-up activity for returned goods may be decided.

Customers want to know exactly how they can return goods, how much they will be refunded, and when exactly those refunds will be paid. SAP ARM is able to achieve this, which leads to long-term customer satisfaction.

Speed and transparency in the refund process are important to the customer.

SAP ARM offers possibilities to determine when and how much customers will be refunded. Options are available for immediate refunding or refunding only after products have been inspected. The latter gives companies the possibility to automatically adapt the refund amount based on the inspection results.

The inspection of the returned materials is an important aspect of the returns process. As such, a new returns specific inspection transaction is integrated into SAP ARM, thereby providing accurate information to customer queries and standardizing quality of products without having to set up the QM module.

Thanks to the embedded integration with SAP EWM, the warehouses running on SAP EWM benefit from the advantages of SAP ARM. Once the return arrives at the warehouse, the returned products are automatically routed to a returns area for inspection. Depending on the inspection results, follow-on warehouse tasks may be triggered to the final putaway area or to a rework or scrap work center.

The tracking process in returns management has been improved with easier monitoring of logistics and refunding status thereby benefitting the customer.

How does SAP EWM integrate with SAP ARM?

The new possibilities in the return process in SAP EWM created by SAP ARM revolve around an integration of the Logistical Follow-Up concept. The concept may be determined after an inspection conducted in the receiving warehouse or directly at Return order creation, e.g. should a business rule dictate that a certain product must be scrapped without inspection upon its arrival.

The inbound delivery documents of a return order can be generated upfront in the ideal situation of products properly identified by the customer and the acceptance of an advanced shipping notification. However, the process may also start at the receiving gates or at the counter upon the arrival of unplanned returns. Moreover, SAP ARM provides a consistent way to deal with planned returns of unknown materials to allow for an inbound planning and an identification in the warehouse.

Besides a more consistent steering of an incoming returned product, the integration also allows many more transparent and traced complex processes to take place. Based on the result of a quality inspection performed in SAP EWM, it may be determined that an external repair is needed which would generate an outbound document accordingly to directly lead the product to the shipping doors.

Are there any limitations with SAP ARM?

As SAP ARM is a relatively new business function, there are a couple of limitations companies need to be aware off prior to engaging on a SAP ARM project:

- The functionality that supports difference postings for returns in SAP EWM has not proven to be efficient and in a next release of the software, further enhancements should be embedded to allow for an easier goods receipt reversal.
- Business rules for return order acceptance are limited and require companies to build their own logic through user exits.
- At this moment, there is only limited functionality to support the return of serialized products.
- The return of products that were delivered as kits is currently not supported.
- In industries like Life Sciences and Pharma where quality inspection and the follow-up of return items are more stringent. Companies may still require quality management to meet the demands of the customer.
- Optimize returns policies to save cost: In order for SAP ARM to be accepted by customers, they must be made aware of the realized cost savings, as a result, of implementing such a process. The implementation of SAP ARM must therefore run in parallel with a returns policy review project.
- As with every new product, SAP releases SAP notes regularly to resolve bugs in the software.

How can Deloitte help?

The benefits that the SAP ARM solution and its integration with SAP EWM can bring to organizations are real and demonstrated. While it takes considerable technical know-how to realize these benefits, a deep understanding of the underlying business reality is even more important. Deloitte excels in both areas. We are widely recognized for our ability to bring real business insight to every engagement, and we bring our long history of implementations of SAP solutions. In practical terms, that means we are frequently able to help clients define and implement their claims and returns management and warehouse handling processes quickly – and get on the fast track to realizing benefits.

Here are a few of the services we offer:
Solution road map and strategy in order to minimize rework or redundant investments
Claims & returns process transformation and organizational strategy/roadmap development

SAP ARM and SAP EWM end-to-end implementations management and delivery
SAP landscape, integration, security, and architecture design

Hybrid implementation approaches, methodology, project plans, and timelines
Experienced resources trained with both SAP ARM and SAP EWM modules, including the integration of the two

Contacts

For further information, visit our website at www.deloitte.com

Kristof Mantels
Senior Manager
+ 32 2 749 59 39
kmantels@deloitte.com

Stijn Van Hoof
Co-leader CoE SAP EWM
Director
+ 32 2 749 59 36
svanhoof@deloitte.com

Gaël Urbain
Manager
+ 32 2 749 57 63
gurbain@deloitte.com

Steven Moors
Leader CoE SAP EWM
Partner
+ 32 2 749 56 98
stmoors@deloitte.com