

tackling returns

United Kingdom

August 1999

Improving industry performance by simplifying and redesigning the returns process

The *Tackling Returns* project has identified solutions in returns processing which will reduce substantially the £100m annual cost of returns to the UK book industry.

The solutions will benefit all players - large and small, publishers and their distributors, wholesalers, and retailers - but require changes in role, process and operating systems before benefits can be realised.

The key to unlocking the benefits lies in automating and standardising the authorisation process. This requires industry-wide adoption of 'rules' and standards operating within framework returns agreements, and a technology solution.

The biggest area of cost is in returns handling, of which nearly two-thirds is incurred by the retailer. Much of this activity is value destroying as a majority of returned stock is pulped on receipt, or never reused. Improvements in both physical and credit handling have been identified which build on the new authorisation process. There are knock on implications for stock management processes, systems, and policies, notably making visible 'vertical' sales and stock information.

At the core of the proposal is a new process and supporting technology infrastructure to authorise returns whereby:

- Retailer consolidates return requests by distributor (rather than rep) and submits electronically;
- Distributor processes request according to 'rules' agreed by the customer and the publisher;

- Distributor transmits authorisation to return by providing reference code, quantity granted, value at which credit per unit will be given, and disposal instructions;
- Retailer receives and integrates authorisation with physical disposal processes and raising of claim.

This process would also be the platform for dealing with claims for 'non-conformance' stock (e.g. damages and wrong book supplied), and could also be the vehicle for alternatives to the usual full credit for overstock returns (e.g. additional discount for mark downs).

The proposals are dependent on a number of building blocks:

- The adoption of a 'rulebook' for the processing of returns which is standardised, transparent, and whose parameters are as uniform as possible to reduce complexity in the process and minimise exceptions;
- A technology solution which works for all players, large and small;
- Satisfactory audit control;
- Widespread adoption of the proposals throughout the industry.

The agreement at the Eynsham Hall conference

Participants reached agreement in principle to the adoption of these new processes to manage returns.

This agreement is based on a number of hypotheses which need to be tested further, and is subject to the benefits and practicalities of the proposed solutions being tested and refined in a series of pilots in the next few months.

The main components of the proposed solution

- Automated authorisation administered by distributors providing greater consolidation of physical returns and credits, increased control over the process, and freeing up of sales and buying resources;
- A 'rulebook' facilitating automation and eliminating requirement for sales reps and buyers to negotiate returns as part of each sales call;
- A common referencing system to link authorisation to credits issued to reduce transaction costs and cycle times;
- Value of credit to be stated with the returns authorisation to reduce credit reconciliation difficulties;
- Publishers to identify which books they wish to retrieve for reuse ('green box') as part of the authorisation process allowing retailers to separate stock destined for destruction ('red box');
- Distributors and retailers to develop alternative channels for disposal of 'red box' stock which will preserve audit control and maximise handling efficiency;
- Commitment to progress the principle of sharing sales and stock information 'vertically' within the supply chain, and to publish aggregate sales and returns benchmarking statistics promptly.

Background to the project

Returns lie at the heart of the book industry's way of doing business. It is widely agreed that the processes and policies surrounding the returns mechanism are costly, inefficient, tie up substantial capital, and divert resources away from customer-facing and value-adding activities.

The Supply Chain Challenge, KPMG's original 1998 report, estimated that returns cost the industry £100 million per annum, and that there are substantial benefits for all parts of the industry if the processes and policies of returns administration and handling can be overhauled. But the issues are complex, and few solutions are in the gift of any one company. It is an issue best addressed on an industry-wide, or systemic, level.

KPMG was appointed to help the industry reduce the financial burden of returns

The project objectives were to agree solutions to the problem of

returns at an industry-wide level by:

- Increasing the efficiency of the returns process;
- Reducing the cost of handling returnable stock;
- Improving management of stock to reduce levels of returns and overstocks and reduce lost sales opportunities;
- Harnessing the potential of electronic commerce to facilitate returns and information sharing processes;
- Dismantling the barriers which prevent supply better matching different patterns of demand.

The project scope focused on the issues raised once a title has been launched, so new product introduction and demand planning were not addressed.

Funding came via the Publishers' and the Booksellers' Associations, with a substantial contribution from the Department of Trade and Industry.

Project approach

KPMG worked with companies representative of the supply chain in a step-by-step process from February to June 1999.

Preparation - workshop convened by BIC

35 representatives from the industry met to explore the issue of returns and possible solutions. This workshop facilitated by KPMG particularly looked at the BIC EDI returns messaging proposals. The key issues to emerge were: the need for simplicity, transparency of information, and trust.

Step 1 - understanding returns at the company level

KPMG worked with 10 individual companies to understand their returns processes and policies, developing a clear picture of their issues, their sense of priorities, and ideas for where improvements could be made.

'Maps' of returns handling and administration processes identified where inefficiencies lay. This resulted in individual participants identifying actions which they could take by themselves, though the main thrust was on the links and dependencies with other supply chain partners.

Step 2 - developing solutions at supply chain group level

Participating companies were brought together into two separate supply chain groups (one with a trade focus, the other academic), to understand each other's perspective and explore the issues and opportunities raised, and what solutions might be available.

The two groups were then brought together to explore whether solutions applicable to one group were also applicable to the other, and the extent to which these solutions are applicable to the industry in general.

Step 3 - developing solutions at the industry-wide level

The solutions and new processes identified were explored at workshops held over two and a half days at Eynsham Hall in Oxfordshire. Companies presented individual solutions, which were discussed and refined, and resulted in the industry's own recommendations for standard processes and policies, subject to a number of pilot projects before being implemented more widely. Many key companies not involved in steps 1 and 2 were critical to step 3.

The Eynsham Hall workshops involved wide representation from the industry

Publishers	Distributors	Wholesalers	Retailers	Suppliers/Others
Little, Brown*	HarperCollins*	THE*	W.H. Smith*	Vista
HarperCollins*	MDL*	Bertrams	Waterstone's*	batch.co.uk
Macmillan Press*	TBS*	Gardners	Blackwell Retail*	Securicor
Random House	ITPS	Cork International	Ottakar's	Whitaker
Transworld	Scottish Book Centre		James Thin	First Edition
Hodder Headline	Bookpoint		Hammicks	BIC
Penguin	Penguin		Politicos	PA
CUP				BA
Faber & Faber				
Scholastic				

* Main project participants in steps 1 and 2

Participants at the Eynsham Hall Conference



Project Findings

There is a need to reengineer the authorisation process

The current process treats every transaction as unique. Authorisation is usually given by a sales rep to an individual buyer, resulting in low levels of transaction consolidation. Returns 'agreements' are ambiguous, complex, and varied, and rarely part of an overall trading agreement.

Negotiations consume substantial time and energy for key retail buyers and publishers' sales staff, but lack consistency. There is no formal link with the rest of the returns transaction. However there is little support for doing away with the need for an authorisation process.

Maximise efficiency of sortation and handling

Physical handling processes consume about two thirds of total process costs. Handling (picking, sorting, packing and freight) is currently managed at a micro level, with authorisation by individual representatives for individual buying departments limiting the consolidation that is possible. It also results in sub-optimal freight rates.

A large proportion of handling activity is non-value adding since a majority of

stock returned is pulped (or if reshelved, the reuse rate is low). Retailers have to pay for this activity (which includes destickering or even sanding to restore tired product) - the price publishers extract to 'control' the destruction process, and to retain the option to reuse stock.

- Destruction rates of returned stock are extremely high and are frequently in the range of 65-95%;
- Many academic publishers have a lower destruction rate, but their reuse rate is unclear;
- The recovery rate of stock unshrinkwrapped or broken from binders parcels is low;
- Most remaindered stock has never been on a shop floor.

These findings raise the following questions:

- Should stock destined for destruction follow the same returns route and procedures as stock required for reuse?
- Can 'destroyable' stock be identified prior to its return?
- To what extent would destruction rates decrease if stock were 'pulled' earlier in its lifecycle?

Establish the linkage between value, actual return and authorisation at beginning of the process

Currently value is only addressed once goods have been dispatched to the distributor, with the claim being raised by the retailer as part of the physical returns process, and the distributor raising the credit either from scanning goods received or rekeying paperwork received with the books.

Inefficiencies in crediting overstocks frequently lie in other parts of the returns process:

- The main cause of queries is different views about the quantity returned (or accepted for credit);
- Queries about the value per unit are particularly acute with some retailers, may be tied to their costing systems, and there may be no visibility to the distributor of the retailer's credit claim;
- Debit notes/credit claims are used inconsistently and non-transparently, with different conventions for when to 'take the credit';
- Substantial working capital is consumed by 'credit awaiting'; sporadic write-offs resolve old queries;
- At least 30% of lines authorised change in the final credit;
- Credits for overstocks get caught up in the mass of small credit notes issued largely for 'non-conformance' further complicating the credit reconciliation process.

The linkages between authorisation, actual quantity received and the credit issued are unclear, as there is no common referencing system, and the 'hand-offs' are manual and require rekeying at every stage. This leads to delays and substantial lock up of working capital in dead stock - the very thing that returns are meant to alleviate.

Continued on Page 8

Authorisation

Returns are currently subject to negotiation between sales rep and buyer, which covers quantities, not value. Whilst an authorisation number or signature is needed before credit is issued, there is no common reference linking the whole transaction, from authorisation request to credit.

In the new process a standardised electronic returns request generated from the wholesaler's or retailer's stock management systems will be sent to the distributor, not the rep. The distributor will process the request according to criteria agreed between publisher and customer, codified and systematised in a set of rules (see Rulebook section overleaf).

The distributor will transmit to the customer the quantity authorised, credit value, and disposal instructions ('red box'/'green box'/other financial adjustments), again in standardised electronic format. The retailer will check the response, both for quantity and value, and action the return accordingly.

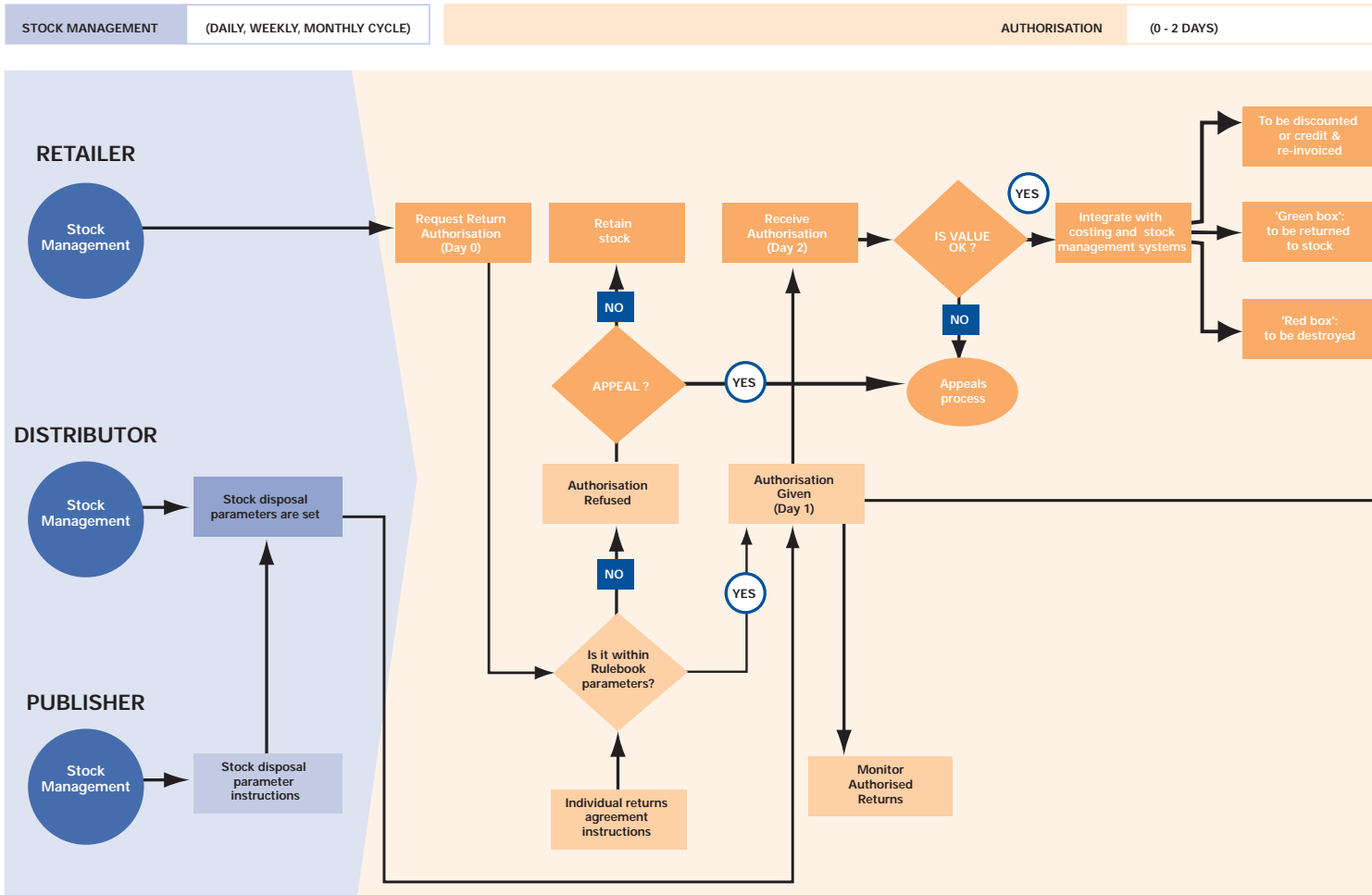
Whilst automated authorisation may not capture all eventualities, and 'negotiation' may still be appropriate between trading partners, the exceptions must not become the rule, and the vast majority of transactions should be processed automatically. Exceptions may be mainly high value 'problems', which should be managed proactively.

This automated process is the building block for subsequent consolidation of ph handling and credits, and for the targeted reduced cycle times.

The cycle time of this process will be radically shortened. What currently takes weeks will be achievable within a couple of days. The increased certainty provided allow stock values to be managed more precisely, and physical handling of returns efficiently.

The new process is technology dependent. Standard messages and a common interface need to be developed so that all players, large and small, can be included in the process. However the communication methods used will depend on companies' preferences. The solution may build on one or more existing technologies, for example using the EDI messages on existing VAN networks, a 'reverse Teleordering', or developing Internet solutions, such as batch.co.uk or PubEasy. A paper based interface solution could also be considered.

Pilot projects include the development of functional specifications and the refining of the processes as envisaged. A pilot is already underway between Macmillan Distribution and James Thin from which much can be learned.



Stock management

Returns are initiated by a retailer's (or wholesaler's) stock management processes. Criteria include open to buy policies, slow moving title analysis, and simply manual checking of shelves. The new process envisages that systems will generate reports of proposed returns, which buyers may choose to edit before a final list is produced. This list will then be transmitted to the distributor as part of the authorisation process.

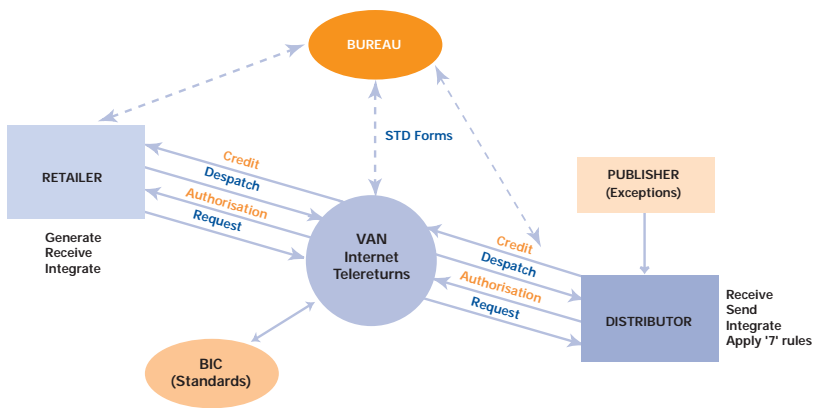
Publishers will decide which titles they wish to recycle ('green box'), and which can be destroyed ('red box'). This may depend upon timing within a product's lifecycle and the economics of reprinting versus recycling. Their decisions need to be actionable by the distributor, who will translate into disposal instructions for the returns authorisation message. Wholesalers will need permission from distributors to destroy customer returns before they authorise them.

The project identified the visibility of sales and stock information 'vertically within the supply chain' (i.e. suppliers only being able to see information about their own titles) as a key component of the partnership for sales and collaborative stock management that the industry is developing. In addition, benchmark data about aggregate industry sales and returns levels

should be published promptly and regularly.

Some sales and buying time and operating costs are particularly important to ensure that authorisation requests are processed efficiently. Refinements to this part of the process could include various methods, e.g. additional discount.

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Physical handling

The biggest benefits lie in the reduction of sortation and in-store handling. The process provides three routes for this.

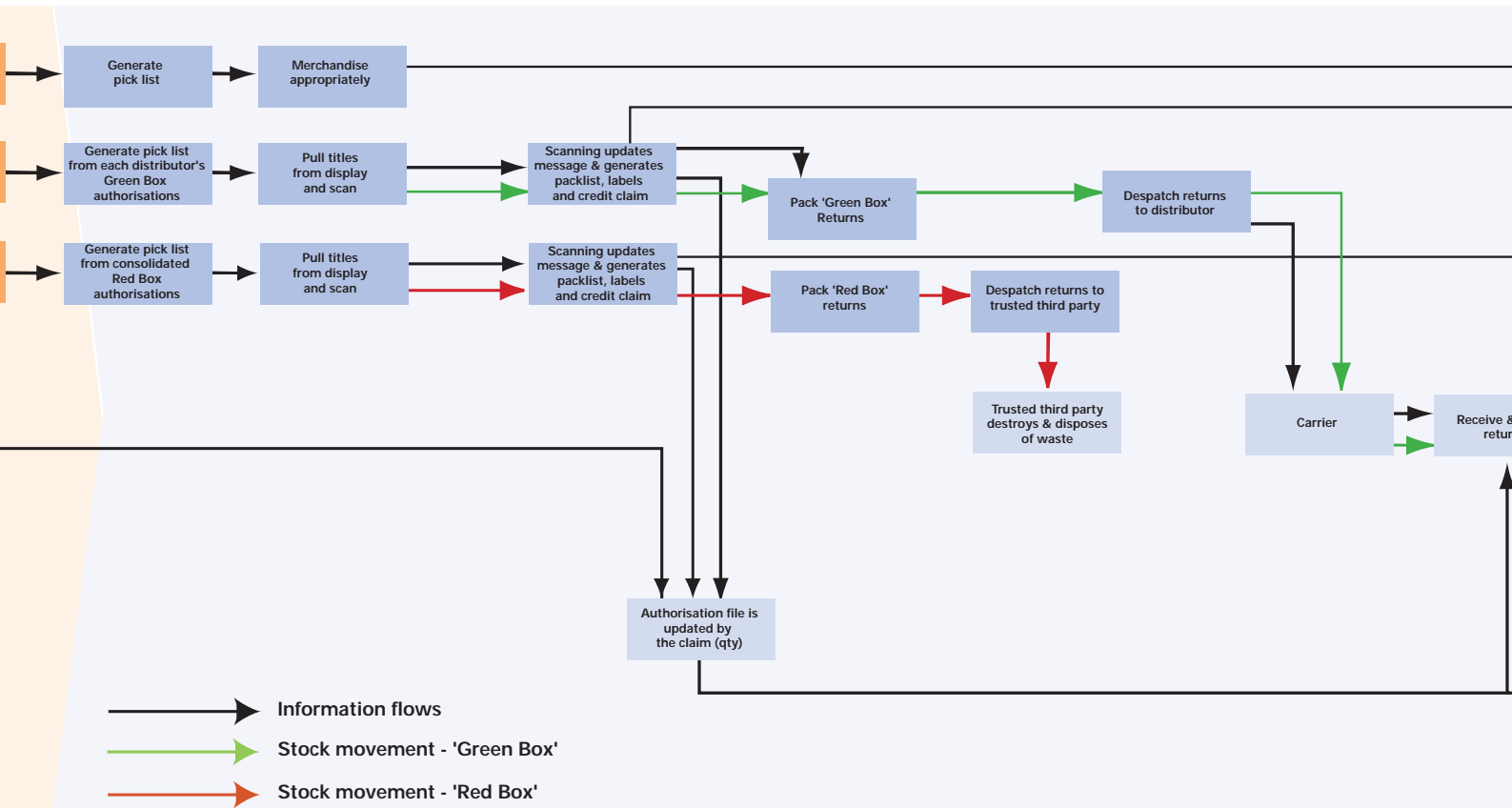
Alternatives to physical return

Financial adjustments remain a viable option, and as do intra-chain stock transfers. All require more proactive stock management to decide on the best project to date. All require more proactive stock management to decide on the best controls in credit processing.

Return to distributor for resale ('green box')

Returns authorisation will identify what titles are required back by the publisher. A 'green box' returns list (which would have been integrated into stock management) will be used to generate a returns list with actual quantities returned. The stock would be returned to the distributor in reusable containers. Systems will raise the returns documentation, complete with authorisation and a common reference will link the request, the authorisation and the despatch. This will be used both for internal tracking purposes and to reduce complexity for the distributor. The stock is returned to the distributor, for both quantity and value on a line by line basis, books and other items. Advances in outward bound container tracking should be applied to return consignments.

HANDLING TRA



Most savings should be reinvested in stock management processes and systems, in particular those that are electronic, and incorporate the appropriate 'rules' (see below). Rules should include publisher driven recalls, or retail requests for alternative disposal.

Credit handling

Credit matching and reconciliation will be greatly simplified by the use of an electronic reference code. The process will move from a request to credit note, and maximising automation. The unit value part of the return will also be determined at the time of the authorisation message, before any stock has been moved.

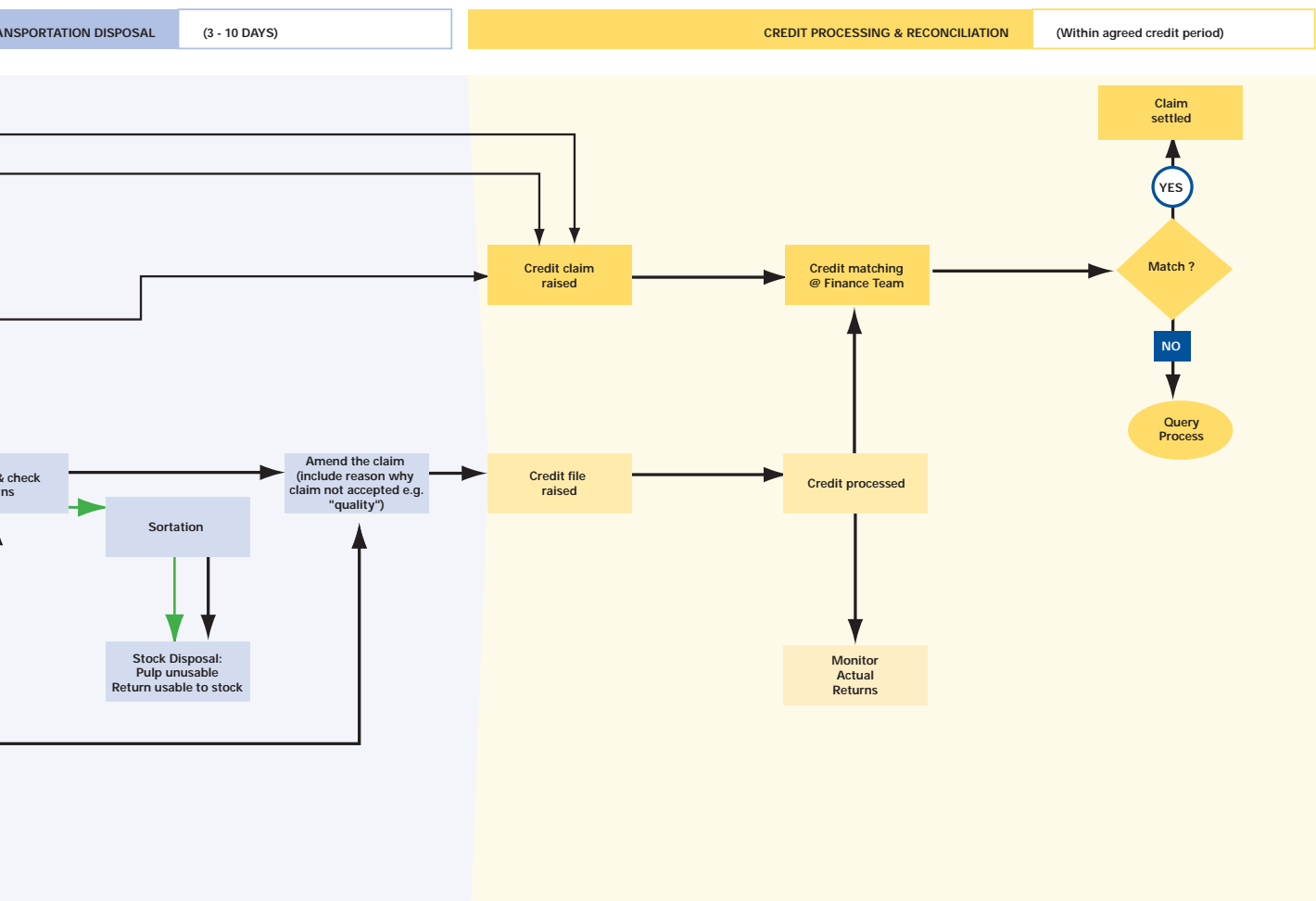
The burden of responsibility for the correct unit value of the return would lie with the distributor, but the responsibility for the return value would lie with the retailer. Any adjustments to this rule would follow agreed query processes.

The retailer's despatch note would update the distributor's authorisation file, and a credit can be raised. The distributor would check the quantity (and, where agreed, adjustments on quality criteria) would be clearly indicated on the despatch note.

The consolidation of returns authorisation at the distributor level will reduce the number of credit claims. This will reduce returns, reducing matching complexity and operating costs. Reduced cycle times from faster authorisation will reduce the working capital tied up in credit awaiting.

costs, and of freight costs. The new authorisation transfers, although have not been a focus of the fate of individual situations, and adequate publisher. Books will be picked from the authorised (management systems), and scanning will update this in the most cost effective manner - possibly code and accurate consignee details. The note/claim which is now raised by the retailer, distributor. The retailer sends the claim electronically are returned, and reshelved quickly by the red containers, particularly to reduce split

Wholesalers would need to know what stock needs to be returned to the distributor before they authorise returns from their own customers. This would maximise their efficiency as some have secure destruction facilities. The consolidation available from authorisation by distributor, rather than by rep, will reduce sortation complexity and freight costs. For example, improved speed of authorisation will allow for more batching to ensure economic freight costs. **Destruction in most economic manner ('red box')** The returns authorisation will indicate what titles can be destroyed. The retailer will batch up all 'red box' returns authorised over a period and pick in one simple exercise. Picking and sorting by publisher would not be required, but merely a scanning of the titles as they are placed into containers. This would remove a large amount of time devoted to in-store returns sortation. For example, there would be no price de-stickering or other preparation required as quality of stock is not an issue. The scanning exercise would again be required to adjust the quantities actually dispatched and automatically raise the claim against the relevant distributor in the manner described above. One or several third parties would be tasked with destroying the stock, and addressing the growing waste management/environmental issues. There are a number of options for this which are to be explored further in one of the pilots. These processes must be transparent and auditable, both to provide a royalty audit trail, and a guarantee that stock has been destroyed. The visibility of stock levels at a retailer would contribute to this and help foster the trust that is required for this process to be successful. The audit requirement could provide an application for radio frequency tagging.



code, which follows the return from addressed as part of the returns at the burden for the actual quantity ses. ed automatically. Any adjustments identified. claims and notes issued for overstock isation and simplified matching will

Credits for overstock returns should have their own credit period equivalent to that prevailing for invoices. Debit notes need not be issued, provided that distributors process the claim within an appropriate period, probably seven days from receipt of claim/goods. Claims for non-conforming stock continue to be deductible from the relevant invoice. The need to address credit value per unit before the return is made has implications for the central finance departments at retailers and wholesalers, and may impact costing systems. The application of the Rulebook has implications for credit handling (for example matching tolerance levels). However improved matching levels will provide opportunity for more value adding activity by finance staff at all players.

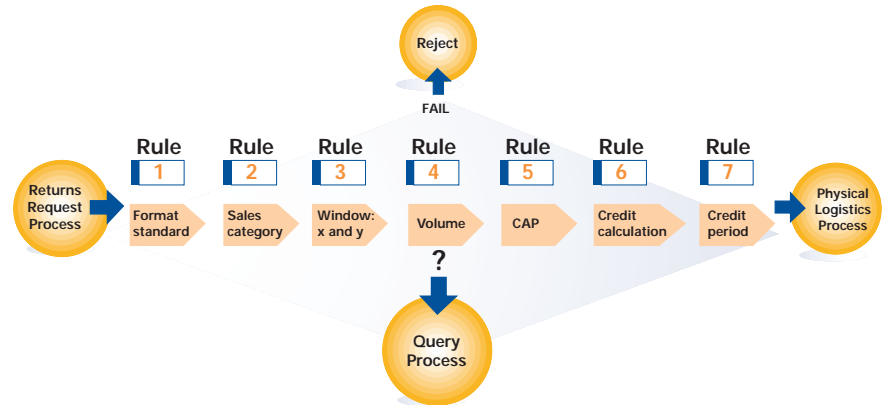
The 'rulebook'

The 'rulebook' is key to accessing the benefits available from the simplification and automation of the returns process. Criteria for allowing the return and giving the credit need to be codified in computer systems so distributors can authorise returns.

The proposal is to apply seven 'rules' to a request for an overstock return. Returns for damaged and incorrect deliveries ('non-conformance' credits) would be subject to separate checks, although the same 'system' could be used.

Each rule requires a set of parameters to be applied. For example the X and Y parameters in rule 3 refer to the 'window of opportunity' to return. This rule is designed to eliminate the complexity arising from the range of conditions which publishers have sought to impose, for example 'is it out of print?'

Whilst parameters could in principle be unique to particular trading relationships, a key objective is to



eliminate complexity and process as many returns automatically as possible and thus to standardise parameters as much as possible. However the rules are not intended to alter terms of trade, and there is further work required to model the rules to understand the sensitivity of their parameters, and to ensure that the rulebook functions in the way intended. This is particularly important for rule 3 ('X and Y'), and the credit rules 6 and 7 (see under Pilot Projects below).

Requests which are 'rejected' by the

automatic process may become the subject of negotiation between customer and publisher, as part of more proactive and collaborative stock management made possible by the release of resources in the sales and buying areas. However for benefits from automation to be maximised, exceptions need to be low in volume (though may be somewhat higher in value terms).

The rules need to function in the context of an overall written agreement on returns between trading partners.

Rule Name	Description	Proposed parameters	Comments
1 Format standard	Standard authorisation request message required for automation	Electronic with standard message format	Option for interim paper based version required; BIC to facilitate standards
2 Sales category	Category must be defined as returnable or not	e.g. Firm sale is firm sale	NB link to Rule 5 ('Capping')
3 Returns Window: X and Y	To radically simplify the parameters governing return of overstocks	Return automatically allowable between 3 months after publication ('X') and 15 months after despatch ('Y')	May need adjustment for wholesalers; not intended to distort current terms of trade, only to simplify
4 Volume restrictions	To ensure no credit for product not sourced from that supplier	To operate at chain not branch level	Chain level allows for inter-branch transfers
5 CAP on returns	To ensure that returns do not exceed a returns cap where that is in place	Default to 100% (i.e. rules do not require a cap, but if present rules can accommodate)	Needs to operate in conjunction with other rules and within terms of trade
6 Credit calculation	Standard and transparent method for the calculation of the credit value which is fair, equitable and transparent	Ideal is 'cascade' back from latest invoice price, but need to understand financial implications of alternatives further	Value per unit to be identified by distributor in returns authorisation
7 Credit period	Setting of the working capital implications of the returns credit	Overstock credits to be taken according to standard payment terms	NB. Non-compliance credits to be deducted from relevant invoice and balance settled within terms of that invoice

Project Findings

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There is benefit in further information sharing, although its major opportunity lies in better planning and forecasting of new titles

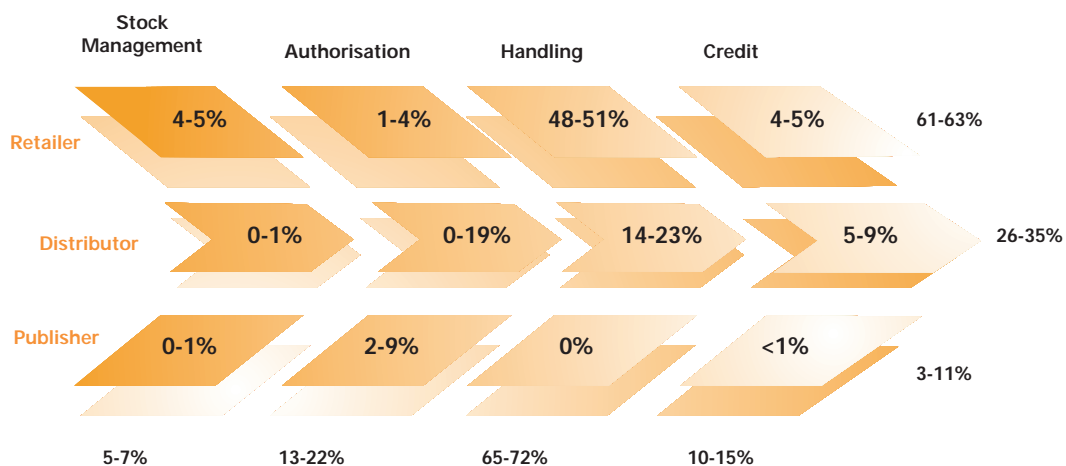
The largest element in the overall cost of returns is that of the stock destroyed by distributors (N.B. not treated in this study as part of the returns processing cost). Stock management policies are a key driver of this cost.

Some returns are the price of maintaining display levels and range; some retailers' replenishment policies create returns by requiring too much buffer stock; and some returns result from poor stock control processes. There is evidence that 'core'

stock is returned as part of seasonal stock reductions, which results in waste and potentially lost sales.

Stock management is thus intrinsic to the overall returns process. Much of the process redesign envisaged throws additional burden (as well as freed up resource) on to stock management. Sharing sales and stock information 'vertically' in the supply chain is central to proactive and collaborative stock management, but the greatest impact on the cost of destroyed stock comes from better forecasting and planning.

About two thirds of resources consumed in the processing of returns lie in physical handling (sortation and freight). Retailers bear nearly two thirds of the process costs.



source: KPMG analysis of participating company data. These cost estimates are indicative, and exclude outward bound logistics costs and the production cost of stock returned (both more heavily skewed to suppliers), as well as working capital charges.

Concerns & outstanding issues

Will distributor involvement in authorisation increase costs?

Capital costs of system development could be significant. To avoid more staff activity returns requests need to be received electronically, requiring commitment from a critical mass of retailers to use the system. A technology solution applicable for all is needed. Publisher-distributor role demarcation needs to be addressed, particularly for 3rd party distributors.

Will taking away rep returns authorisation open a floodgate?

Undoubtedly a risk, though it may be a

timing adjustment, until new processes settle down. However: automated authorisation can provide improved monitoring and control over returns (e.g. spotting stock reduction trends faster); freed sales and buying resource can be invested in collaborative stock management (e.g. in using sales and stock information) to address problems earlier; confidence needs to be established in the reliability of the 'rulebook'; and it is a further incentive not to 'push' stock inappropriately.

What about the quality of stock returned?

This policy issue is unresolved, though it is the main reason for credit claim adjustments and queries. However,

quality is not an issue for 'red box' stock; improved 'green box' processes can improve the state of returned stock (which can be monitored for retrieval rates by customer); and a greater reality check of what returned stock can really be 'mint' is needed.

Retailer based destruction of stock has not worked before

This is not necessarily implied by the proposals. Audit controls (e.g. 'red box'/'green box' compliance) will be required, and it is a key part of the pilots to demonstrate that appropriate trust is warranted.

Benefits

Participants are confident in the business case for pursuing the proposals further. Many of the technology building blocks are in place, a model for the authorisation process exists at MDL, and the logic of the new process is compelling. The proposals provide opportunities for substantial operating cost reduction and performance improvement. Benefits include the following:

	Retailer	Distributor/wholesaler	Publisher
Rules	<p>Improved transparency, simplicity and certainty in returns arrangements.</p> <p>Reduces surprises, and provides ability to manage exceptions proactively.</p>	<p>Removes uncertainties and many qualitative judgements.</p> <p>Clarification of distributors' role.</p> <p>Explicit acknowledgement of wholesalers' time 'lags'.</p>	<p>Improved transparency, simplicity and certainty in returns arrangements.</p> <p>Opportunity for proactive exception management.</p>
Stock management	<p>Buyer time released to proactively manage stock and invest in 'partnership for sales'.</p> <p>Opportunity to improve stock management systems.</p> <p>Greater certainty and greatly reduced cycle times improve management of cash invested in stock.</p>	<p>Growing role as provider of stock management tools.</p> <p>Wholesalers can enhance retail systems through integration of new processes.</p>	<p>Resource freed for proactive and collaborative stock management and investment in 'partnership for sales'.</p> <p>Information visibility facilitates trust, audit control and improves stock management and reprint decisions.</p>
Authorisation	<p>Reduces time to process.</p> <p>Control over timing and value of authorisation requests.</p> <p>Rep-buyer time focused on value added activities.</p>	<p>Control over process provides information for cash planning.</p> <p>Weeds out activity expended on non valid returns.</p>	<p>Sales force time consumed in authorising returns eliminated providing more selling time.</p> <p>New ways to monitor returns and manage proactively.</p>
Physical handling	<p>Sorting and freight costs reduced from</p> <p>a.) consolidation of authorisation at distributors.</p> <p>b.) simpler handling and lower freight costs for 'red box' stock.</p> <p>c.) freight savings from consolidation to fewer end points.</p> <p>Reduced 'returned returns'.</p>	<p>Reduced handling costs through prior separation of 'red box' stock and less 'returned returns' activity.</p> <p>Ability to capacity plan returns area through control of authorisation and electronic receipt of credit claim.</p> <p>New options for waste management (environmental issue of 'landfill').</p> <p>Wholesalers to utilise existing destruction facilities.</p>	<p>Knock on benefits from lower distributor costs.</p> <p>Improved 'green box' processes could increase 'recovery rate' and restocking speed of required stock.</p>
Credit handling	<p>Reduced volume of credits, greater average credit value.</p> <p>Reduced credit awaiting and reconciliation costs through reduced cycle times and greater auto matching from common referencing system.</p> <p>Simplified dispute resolution.</p>	<p>Reduced processing cost from lower volume of credit notes, and higher average value.</p> <p>Fewer queries.</p> <p>Reduced working capital tied up in unresolved queries/fewer write off.</p>	<p>Knock on benefit from reduced distributor costs.</p> <p>Earlier quantification of returns impact possible for sales reporting and cash management.</p>

Pilot projects

A series of seven pilots are currently being planned and scoped which will test the proposals and commence the implementation of the *Tackling Returns* project. Each project has a 'champion' from one of the companies involved in the project to date, and a number of companies who have agreed to take part. The priority project will be the demonstration of 'proof of concept' for the 'Rulebook'. These pilots will be integrated and driven forward through overall programme and project management.

1	Testing the 'Rulebook'.	The rulebook is the bedrock of the automated process. This pilot will demonstrate that rules are fair, function as planned, and sensitivities and implications are clearly understood.
2	Developing an authorisation process and system(s) for industry-wide adoption.	Automated authorisation is the process change on which other benefits rest. This pilot will refine details of the transaction process, and result in a functional requirements specification for a technology solution which uses hybrid technologies to ensure inclusiveness and minimise exceptions.
3	Testing the separation of 'red box'/'green box' stock in store.	Pilot will demonstrate that separation of stock required for reuse ('green') from stock destined for destruction ('red') is both feasible, auditable, and will provide benefits for retailers and distributors.
4	Investigating the options for alternative disposal methods and channels.	Pilot will review alternatives and prepare options for treatment of 'red box' stock, in particular role of 'trusted third parties', requirements for audit controls and environmental alternatives to land-fill.
5	Integrating credit handling process with automated authorisation, and linking with credit for non-conformance stock.	Pilot will demonstrate how authorisation and credit transactions are to be linked, how a single transaction reference benefits credit reconciliation, and how the new process will be used for non-conformance and other credit claims.
6	Taking forward the vertical sharing of sales and stock information.	This pilot will explore further the mechanics and benefits of making visible stock and sales information vertically within the supply chain. It will also develop the recommendation that sales and returns benchmark data be made available rapidly and regularly.
7	Co-ordination of the technology and standards implications of all pilots.	This project will ensure that all technology and standards implications are clearly understood, and that resulting issues are addressed to ensure successful and speedy implementation of the projects.

Next steps

In the past barriers to change have arisen because players have only thought of their own processes, not how they fit into those of their trading partners. *Tackling Returns* has demonstrated that this restriction can be overcome, and that solutions are possible from which all can benefit. Participants in the project and the Supply Chain Committee have concluded that the changes here proposed are realistic, and that all have much to benefit from them. They have committed themselves to further investment of time and money to implement the recommendations.

Nevertheless, the changes envisaged are still complex, and will require continued co-operation and openness, as some of the changes in responsibility and policy are substantial. For progress to be maintained, and implementation to be successful, the Steering Committee is recommending continued strong project management, and the continued public demonstration of progress and success through the pilot projects.

For further information contact:

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