



## The Business Value of Serialization, Part I:

### “Many Happy Returns”

by

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"Many happy returns" is a greeting which is used by some on birthdays, and by others in response to holiday greetings. An alternative explanation dating back to the early 18<sup>th</sup> Century is that "returns" here is used in the sense of "yield" or "profit" that it is still found in "investment returns."

As we look at the very expensive (time and money) projects to apply standardized unique numerical identifiers, a.k.a. “serial numbers,” to packaging components as required by legislative and/or regulatory bodies, it makes sense to seek business benefits from the interoperable use of these codes in the normal conduct of business.

One such area of opportunity which falls into the realm of low-hanging fruit is within the product returns department of many companies. As a supporting element of the commercial strategies of many companies, manufacturers' products can be returned for credit by the consumer for a number of reasons...or simply even without explanation. Such liberal returns policies translate into an unpredictable and variable volume of returns requests which require diligence in achieving both inventory and financial accounting.

### ***Chaos and Confusion***

So let's first look at the administrative mess that typifies the returns processing function in the absence of unit serialization:

1. Validating the identity of the returner or their authorized agent and the accompanying product
2. Damaged packaging/labeling
3. Date of purchase and price paid, if known

4. Calculation of credit to be applied
5. Expiration date, if applicable
6. Discrepancies between the paperwork prepared by returner and the physical goods received

Of these, the most laborious to resolve prior to processing a credit authorization are:

1) authentication of the product, and 2) verification of price paid vs. credit allowed.

This later point is further complicated by contract pricing and all changes in custody that take place from the first sale of the product to an authorized distributor all the way through intermediaries, as well as perhaps re-packagers and returns aggregators before the product arrives “home” at the manufacturer’s facility.

After manually sorting the inventory, the returns processing clerk typically begins by scanning a pre-existing bar code on the product label and accessing the product information file for detail about the return policy. However, the batch-based bar code is not unique to each individual product and there is no way of proving the authenticity of the label or the product inside.

Further, it is possible, actually it is probable, that credit could be issued for product that is counterfeit, stolen, diverted from being destroyed, recalled or expired (and relabeled) since there is no way to reconcile individual units against a common batch code. We have even seen product returns where empty, genuine containers were refilled with fake materials, sealed, and returned for credit—knowing that many returns practices do not check the contents of the container, or authenticate by weight only.

The chaos of the existing credit authorization processes is further amplified by the manual and tedious tasks of checking for discrepancies between the paperwork and the product. The process is not standardized enough to boast that exceptions are the rule, even when returns are first triaged and vetted by a contracted returns processing company. Many high-volume returns departments are staffed with personnel using limited technology aids to validate the goods being processed.

### ***Serialization to the Rescue***

The primary reason that the area of Product Returns Processing is an easy “win” for companies that serial numbers to each unit of sale, is because each individual unit entering the returns department can be immediately scanned and recorded against the total number of units assigned to its batch. With such a “first-step of authentication,” product code, batch code, expiration date and any other notification flags attached to that code (e.g., notices of being recalled, stolen or slated for destruction) can be electronically verified.

Ideally, the process can be further streamlined if those serial numbers are linked to the date and place of their first sale to capture contracted pricing. In situations where the manufacturer ships direct to the end user, the credit price can also be determined electronically.

Using the automated synchronization of serial numbers—at the units, carton case, and even pallet level linked to the shipping history files—the average returns department can register tens of thousands of dollars annually in labor savings, increase the security of your supply chain, and virtually eliminate the likelihood of returns fraud eroding your company's profits.

If your returns department is experiencing some of the chaos described in this article, please contact the serialization experts at Covectra for an introductory conversation and a free assessment of how serialization can guarantee you...many happy returns!

### About COVECTRA

Headquartered in Westborough, Massachusetts, COVECTRA offers multi-layered brand integrity and protection solutions, including its serialization-based AuthentiTrack technology, which includes serial number generation, event repository and event repository management; packaging line serialization, and front-end software applications such as ControlTrack to utilize serial numbers for a variety of business benefits, including counterfeit detection, adherence, and returns verification. By combining covert and overt security features printed on products and packaging materials COVECTRA provides a complete portfolio of products and services to protect and enhance a product brand. Visit [www.covectra.com](http://www.covectra.com) or contact [info@covectra.com](mailto:info@covectra.com) for more information.