

MODUSLINK SERVICES

Inventory Asset Disposition



THE MOST TRUSTED LINK IN YOUR SUPPLY CHAIN


ModusLink

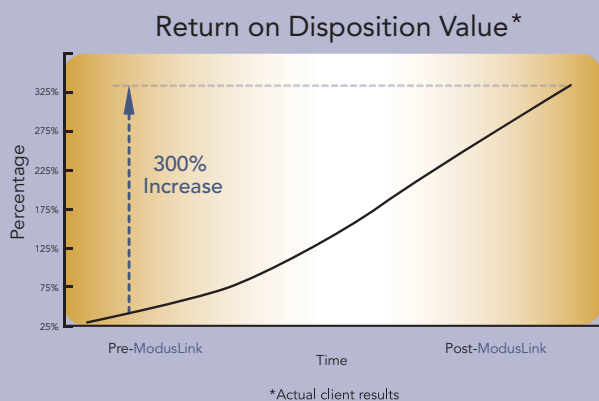
CASE STUDY

Communications Leader Calls on ModusLink for a More Effective Asset Disposition and Reverse Logistics Solution and Improves Return on Disposition Value by 300%

When a leading consumer and business communications company was faced with operational inefficiencies, customer dissatisfaction and declining margins stemming from its fragmented, multi-vendor reverse logistics and disposition program — it turned to ModusLink. The short lifecycle and rapid depreciation of certain modem products resulted in high E & O by the time the company was able to process returns — between 45 and 60 days and up to four months in many cases.

The client had deployed numerous methods for disposition, none of which garnered strong results. To protect its bottom line from dwindling profit margins, the company turned to ModusLink to reduce the expense and transform the activity into a source of revenue. With ModusLink's Inventory Asset Disposition Service, the company was able to seamlessly integrate disposition processes into the reverse supply chain. The need to manage multiple vendors was eliminated, dramatically lowering administrative cost, redundancy and time.

As part of the new simplified process, ModusLink is able to process, inspect, test and refurbish returned product in just 24 hours. Where appropriate, returned or refurbished products are quickly dispatched to forward supply chain inventory, reducing hidden costs associated with storage, working capital and obsolescence. Then, appropriate inventory is targeted for disposition and sold via online auctions, with ModusLink handling every aspect of the end-to-end process.



With ModusLink managing online auctions for the company, asset recovery value increased more than 300 percent over any of its previous disposition methods — which included the company's unsuccessful attempts to conduct its own auctions.

ModusLink has been a valued partner for this leading communications company for more than nine years, helping the company to manage its growth. Proactive process improvements and end-to-end solutions make ModusLink the partner of choice for companies fighting to stay competitive in today's challenging business landscape.

CHALLENGES:

- Fragmented, multi-vendor global environment increased expense and time required to refurbish and disposition products
- Short lifecycles and rapid depreciation of certain products and components increased E & O and plagued supply chain efficiency
- Numerous attempts to disposition product failed to provide desired return

SOLUTION:

- Implemented an integrated, full-service disposition program to further enhance reverse logistics improvements
- Introduced standardized, ongoing processes and provided a single point of contact for inventory disposition activities
- Provided intelligence to prepare for online auctions, from securing bidders to establishing prices
- Facilitated all required processes during and after the auction for invoicing, payment, shipping, tracking, reporting and SOX compliance

RESULTS:

- Minimized the time and expense involved in managing inventory disposition, enabling client to focus resources on its core competency
- Reduced the turnaround time for processing, testing and refurbishing returned product to just 24 hours
- Increased return on disposition value by 300 percent
- Harvests more than \$15 million annually in returned inventory

A Proactive Approach to More Profitable Inventory Lifecycle Care

Challenges Mounting Due to Excess Inventory

Billions of dollars of excess inventory is accumulated every year by today's technology companies. Volatile markets, fierce competition, rapid product cycles and the proliferation of new products can make precise forecasting a difficult task, resulting in costly excess and obsolescence (E & O). Even the leanest of supply chains are faced with E & O product that is left sitting on the books at the end of each quarter. This places a steady drain on administrative and financial resources, while tying up costly warehouse and storage space.

Excess inventory can also affect stock price performance. Researchers at the Georgia Institute of Technology have found that firms experiencing excess inventory situations substantially under perform in stock price, compared with firms from the same industry and of similar size, that do not.

Historically, many companies have simply opted to scrap E & O product, which lowers margins and can actually add costs. More recently, supply chain leaders have come to realize that there is value in this unused product based on the growing need from secondary markets worldwide. However, many companies don't have effective processes in place, nor the resources, to reach these markets.

ModusLink has been working with technology leaders for the past five years to provide a more profitable inventory asset disposition method, helping companies to achieve the highest possible return with minimal effort and associated cost.

ModusLink Inventory Asset Disposition Offers Maximum Product Lifecycle Profitability

ModusLink's Inventory Asset Disposition Service is a comprehensive offering that helps clients receive maximum return on asset conversion and inventory value in two ways: 1) by mitigating the high cost of traditional disposition methods; and 2) by achieving product prices that are higher than those offered by other remarketing channels.

ModusLink was the first supply chain services company to offer an end-to-end product lifecycle solution for technology vendors by seamlessly integrating disposition with forward and reverse logistics activity. Rather than addressing disposition needs late in the product lifecycle, ModusLink establishes processes to identify at-risk inventory early in its product value cycle. Then we assist manufacturers in determining an appropriate disposition method, including return of the device for warranty programs or selling the device (branded or re-branded) into the secondary markets via online auctions.

If selling into other markets makes sense, ModusLink can test and refurbish the devices, restoring them to their highest possible quality. We then facilitate the sales process through our highly effective online auction portal. Using this service, ModusLink can sell restored products under your own brand; or through our "white label" program — which provides clients with an alternative brand to prevent competition with the primary brand and channel partners.

The result is an end-to-end disposition alternative that increases return on assets, lowers total supply chain costs and enables companies to focus resources on their core competencies.



The Online Auction Process

A core element of ModusLink's Inventory Asset Disposition Service is its online auction portal, www.ModusLinkAuction.com, which serves as the forum for soliciting competitive bids from pre-qualified buyers in secondary markets around the world. Our clients frequently receive bids up to three times higher than if they had limited their scope to include only the traditional post-market buyers.

During the auction process, some clients prefer to use their own brand to maximize market exposure, but for those who do not, we offer a unique "white label" program that helps clients manage all the activities required to sell product under an alternate brand. For example, ModusLink developed a successful, established brand that helps some of the industry's leading hard disk drive (HDD) manufacturers to lower carrying costs and increase revenue, without impacting their primary brand, market strategies or channel partnerships.

A proactive approach to inventory asset disposition can significantly increase the return on asset value and improve overall product lifecycle profitability.

This is a comprehensive service that offers you the best of both worlds. You retain key decision-making authority, but ModusLink does all the legwork, managing the complete process from end-to-end, including:

- Customized auction site design
- Product cataloging
- Buyer invite and registration
- Payment processing and collection
- Valuable market intelligence
- Detailed performance reporting
- Coordination of shipping, transportation and customs clearance processes
- Sarbanes-Oxley compliance and transactional reporting

As part of the process, an integrated email engine notifies auction participants of new listings and auction management personnel of new bids to review. Date and time-stamping throughout the process, enables management reporting of slow-moving and fast-moving inventory in addition to a variety of revenue and velocity metrics. At any time, clients can log in and view, in real-time, all of the bid activity.

Most importantly, ModusLink's online transaction audit trail ensures accounting control and makes invoice reconciliation much easier in accordance with Sarbanes-Oxley best practices.

ModusLink has conducted many successful online auctions for leading technology companies around the world during the past five years, helping them to gain higher return on asset value, reduce administrative and carrying costs and achieve greater profitability.



Value Added Intelligence for Improved Recovery

If you're like most inventory practitioners, you have a solid grasp of product costs — materials, logistics, scrap, administration, warranty, and other factors. But when it comes to asset disposition, the key driver of recovery is market price. Offered as part of the Inventory Asset Disposition Service, ModusLink's Market Intelligence gives you current and historical information on product pricing and availability, backed by the trading insight necessary to convert this information into recovery improvement.

Should I sell my excess inventory (components and/or finished goods) in lot sizes or by line item? By fixed price or by auction? As-is or with value added? With ModusLink, you'll have the information you need to answer these key questions with confidence. You'll know what's trading on the open market, in what volumes and geographies, and in what condition. Armed

with accurate, timely information, you can make better decisions quickly to improve recovery, protect your brand and rapidly eliminate your excess inventory.

In addition, ModusLink's Market Intelligence provides you with a comparison of market availability, pricing, and historical sales volume of your products and those of your competitors. With this insight you can develop the right disposition strategy to maximize your recovery revenue stream, while avoiding conflict with your forward distribution channels.

This Market Intelligence also provides each product family with a Price Erosion Factor (PEF), an index of historical price performance over an extended history. This information serves as a powerful call to action — to implement and maintain a truly proactive asset management program.

Comprehensive market intelligence is a key driver of effective asset disposition — significantly improving decision-making and pricing for optimum value recovery.



Client Benefits

ModusLink delivers a comprehensive, proactive disposition service that is seamlessly integrated into your supply chain for maximum results, including:

- Greater supply chain efficiency
- Higher return on asset value
- Higher overall profitability
- Lower total supply chain costs
- Ability to focus resources on core competency

ModusLink, Your Trusted Partner in Supply Chain Management

The Inventory Asset Disposition Service is an integrated element of ModusLink's end-to-end supply chain management services portfolio. For more than 20 years, the world's leading technology-based manufacturers have trusted ModusLink to provide innovative ideas and rapid, efficient execution of their supply chain operations. We help our clients achieve faster time-to-market, lower costs, greater customer satisfaction, and higher profitability when they entrust the most critical details of their supply chain to us.

ModusLink offers the largest global footprint in our industry, with numerous strategically located facilities across the Americas, Europe and Asia. At the core of our integrated network of facilities is our world-class technology infrastructure, ensuring that everything we do for our clients is performed at maximum efficiency, anytime and anywhere.

With ModusLink, you have a world-class, trusted partner dedicated to your success and continued growth.

Technology and Infrastructure

Globalization adds complexity and risk to supply-chain processes making seamless integration all the more critical for efficient management of products across geographies. As supply chains become more dispersed, visibility, control and productivity can begin to erode. ModusLink offers an un-paralleled operating and technology infrastructure that serves as the backbone of a client's fully integrated global supply chain. ModusLink's services and solutions infrastructure is comprised of:

- Globally Integrated Operations
- Global Technology
- Supply Chain Expertise
- Supply Chain Planning and Execution
- Managed Logistics
- Account Management

This highly efficient infrastructure provides the visibility and control needed for better decision making, quicker response to customer and global market dynamics and more effective asset utilization across services and across geographies. By leveraging its robust operating infrastructure, ModusLink proactively delivers continuous process improvement to clients enabling them to gain accolades with customers, a competitive edge in their industry and operating advantages in the global marketplace.

GLOBALLY INTEGRATED OPERATIONS

With numerous ModusLink sites strategically located around the world, our global footprint and operating efficiency is unmatched in the industry. Our world-class infrastructure leverages an integrated global systems platform, standardized process execution, industry expertise and local market knowledge to provide clients with more effective global operations management.

With Solution Centers around the world executing common high-quality processes, clients benefit from a single, standardized view of operations, assets and inventory. Clients can seamlessly manage and migrate inventory between multiple Solution Centers and across services functions for maximum asset utilization and minimal waste, excess and obsolescence.

GLOBAL TECHNOLOGY

Our state-of-the-art, globally integrated information technology platform is a key differentiator for ModusLink and its clients. At the core of ModusLink's operating infrastructure is its world-class information technology platform which combines the leading ERP system with best of breed technology applications, seamlessly config-

ured and integrated across the globe, to execute your supply chain processes for maximum efficiency. Additionally, ModusLink has extended the core functionality of its ERP system by integrating the industry's best technologies for business intelligence, standardized messaging, CRM, logistics management, e-commerce, financial management and client reporting — delivered via your desktop in real time.

SUPPLY CHAIN EXPERTISE

Clients benefit from a professional services organization that includes subject matter experts in all key supply chain disciplines with multi-geography and vertical market experience that helps reduce the complexities of global supply chain management. The result: a differentiated, top-performing supply chain.

SUPPLY CHAIN PLANNING AND EXECUTION (SCP&E)

Using a combination of proven, internally developed tools, vertical industry knowledge, VMI techniques and standard MRP and planning methods, our innovative SCP&E solution improves materials availability and inventory turns with lower investment. Our solution helps clients determine appropriate replenishment levels and production models, and accurately factors in the impact of migrating parts of the supply chain inventory to new geographies when shifts in global demand arise.

MANAGED LOGISTICS

Our world-class solution integrates the capabilities of leading 3PL organizations from a single platform available on the client's desktop. This flexibility enables clients to leverage cross-carrier route and mode selection for optimal service performance at the best possible price points. We provide proactive, event-driven shipment exception reporting; customer-specific packaging and labelling specification; retail shipment compliance; volume shipment consolidation; multi-vendor route selection; export compliance processing; delivery track and trace capabilities and more for the best price and fastest time to market.

ACCOUNT MANAGEMENT

We provide our clients with a team of resources responsible for being the on-site voice of the client in our operations. Because of our unique position in our clients' supply chains, the Account Management function typically becomes a valuable member of our clients' organization; advising on opportunities to improve service, cost, and quality performance to deliver greater shareholder value within our clients' organizations.