

# Presenters



## Financial Considerations for Reusables

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# Agenda



- Understand your goals for conversion
- Supply Chain Mapping (current/future state)
- Packaging Selection
- Implementation (ownership and management)
- Common Pitfalls
- Q & A

## First Step, Identify Goals



- *Goals for changing from expendable packaging to reusable packaging needs to be clearly identified to help frame the solutions.*

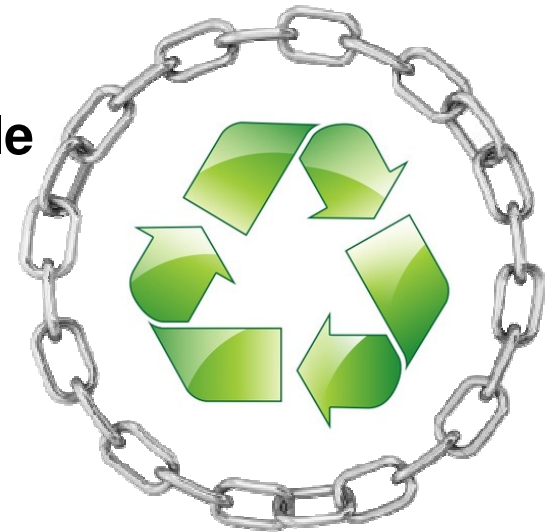


# Supply Chain – As it Exists Today



## •Mapping the Supply Chain

- **Identify physical flow of product between supply chain partners**
- **Identify material handling flow for those that fill the Reusable as well as those that empty the Reusable**
- **Uses of data gathered**
  - **Inputs for economic modeling**
  - **Inputs for design and selection of Reusable**
  - **Inputs for design of new supply chain**



# Supply Chain – Future state



## •Mapping the Supply Chain

- **Identify changes to physical flow of product between supply chain partners**
- **Identify changes material handling flow for those that fill the Reusable as well as those that empty the Reusable**
- **Uses of data gathered**
  - **Inputs for economic modeling**
  - **Inputs for Reusable selection or design**
- **New services needed for Reusable such as cleaning, repair, return transportation**

# Select the Reusable



## Requirements that go into Reusable selection

- The physical needs of the product in the container
- The physical requirements of the process that fills and empties the Reusable
- The physical demands of transport
  - Filled with product
  - Empty, being returned for reuse (Reverse Logistics)
- Requirements unique to Reusables, i.e. cleaning
- Cost of acquisition and over time



# Implementation



- The goals are clear, a new supply chain is mapped and costs identified. The Reusable is selected.
- Now, how to implement?**

# Decision Options



- **Do it yourself**
  - Purchase Reusables direct
  - Manage the movement and servicing of Reusables
- **Lease the Reusable and do the management and servicing yourself**
  - Capital Lease or Operating Lease for Reusables
  - Manage the movement and servicing of Reusables
- **Engage a Third-Party Pooling company**
  - Standard pooler, standard containers and services
  - Custom pooler, either custom services or custom container



# • Example of Capital Lease vs. Operating Lease



• =  
**\$150\***

## • Assuming:

- **8 year useful life &**
- **8.5% interest rate**

| Capital Lease - Four Tests  | Capital Lease   | Operating Lease  |
|---|---|--|
| <b>#1:</b> Packaging ownership is transferred to lessee at the end of lease term  | Company XYZ owns the bins at end of lease   | Company XYZ returns bins at end of lease   |
| <b>#2:</b> The lease contains a bargain purchase option   | At end of 6 years, Company XYZ has the option to buy the container for \$1.00   | At end of 3 years, Company XYZ purchases the container for \$90.00   |
| <b>#3:</b> The lease term represents at least 75% of the estimated economic life of the leased packaging  | > 6 year term   | < 6 year term  |
| <b>#4:</b> The PV of the minimum lease payments at the beginning of the lease term is 90%+ of the FMV of the leased packaging to the lessor at the inception of the lease | <ul style="list-style-type: none"> <li>• 8.5%</li> <li>• 5 yrs (60 pmts at \$3.75)</li> <li>• PV = \$146.22 or 97.5%</li> </ul> | <ul style="list-style-type: none"> <li>• 8.5%</li> <li>• 5 yrs (60 pmts at \$2.75)</li> <li>• PV = \$134.04 or 89.36%</li> </ul> |

•\* **Estimated value**

# Check List for Doing It Yourself



Yes No

- Acquiring containers is the best use of capital
- You can manage and control the containers
- You “own” both ends of supply chain
- You can provide services needed for returnables
- Do you have capabilities to select “best” container
- Do you have the resources to manage rollout

# Common Implementation Pitfalls



- Not considering a supply chain's true cycle time
- Not having enough packaging for peak production volumes
- Inability to accommodate industry standards for cleaning (especially food and beverage)
- Paying premium freight for lack of container fleet visibility
- Loss and damage





# Questions?