

# Supply Chain Economics and Industry Models



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**REUSABLE PACKAGING**  
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Driving Economic and Environmental  
Value with Reusable Packaging

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# Why Care - Economic Modeling & Metrics

- Reusable Packaging Can effect many financial categories
  - Revenue Enhancement
  - Capital Utilization
  - Operating Expense Reduction



# Financial Categories – Reusable Packaging as a Supply Chain Management Solution

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- Reusable Packaging can play an important role in all financial categories
  - Revenue Enhancement
  - Capital Utilization
  - Operating Expense Reduction
- As Supply Chain professionals we must take a holistic view of how our solutions effect the entire financial performance of our companies.

# Today's Solutions – What is the problem?

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- According to Dr Stephen Timme – President of Finlistics Solutions & Adjunct Professor at Georgia Institute of Technology
  - C Level Executives view SCM solutions like reusable packaging as tactical back room cost center activity.
  - Most SCM professionals do not speak the language of finance and can not articulate how SCM drives financial performance.
  - SCM initiatives are often incomplete only focusing on operating expense reduction categories.

# Example – Finlistics White Paper

would add \$277 million to first-year cash flow and \$403 million in market value.

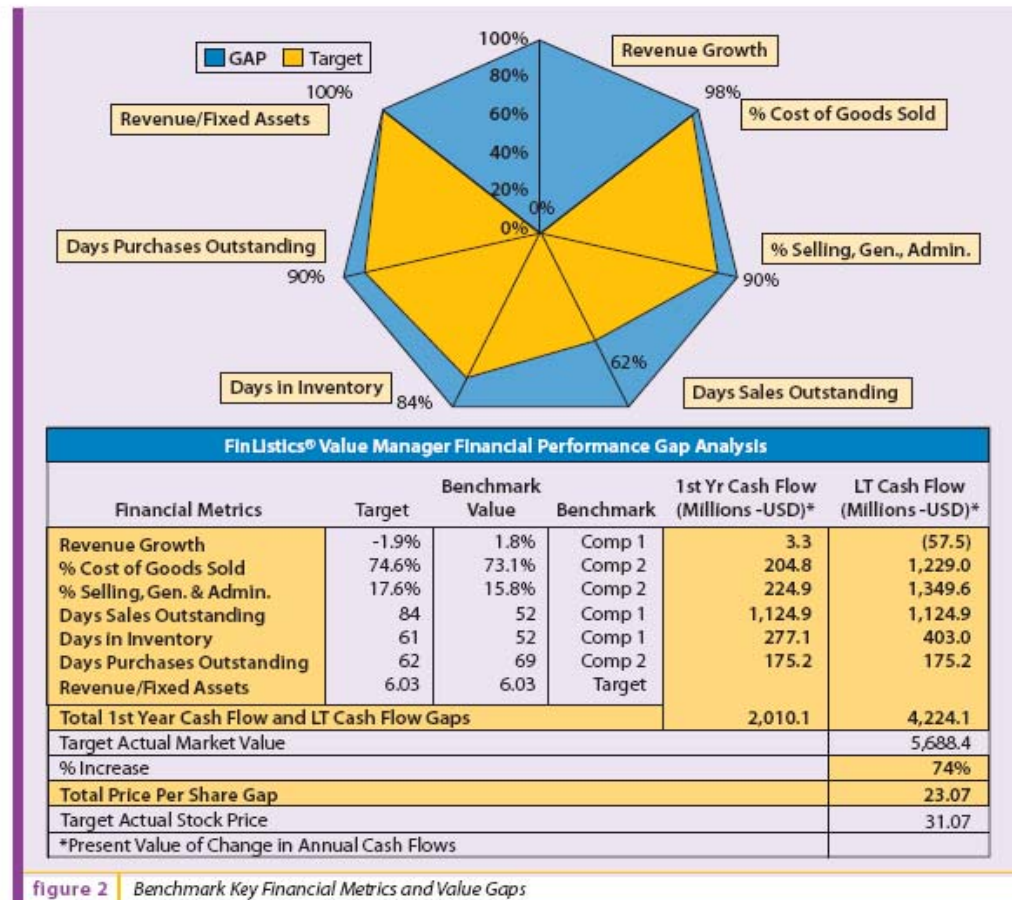
Days sales outstanding (DSO) is another area that warrants further investigation. DSO is 84 days for the target company and 52 days for the benchmark. Much of the difference in DSO is likely attributable to differences in credit and collection policies, which are not driven by SCM. However, SCM does impact DSO through fill rates, order completeness, shipment integrity, and proof of delivery. For the target company, an improvement in these areas that reduced DSO by only one day would add \$35 million to cash flow and market value.

Using the value of the gaps in the financial metrics as the motivation for change, the target company would begin investigating potential gaps in SCM-related business processes such as:

- Distribution and logistics;
- Forecasting;
- Demand planning;
- Procurement;
- Production planning;
- Order fulfillment;
- Transportation management; and
- Warehouse management.

Gaps in business processes, in turn, are linked to related activities, tasks, and KPIs. Gaps are used to explore SCM solutions such as:

- Collaborative forecasting;



financial metrics and values gaps; maps gaps to SCM business processes, activities, and KPI's; and uses this information to explore and prioritize

## Endnotes

- 1 Andraski, Joseph C., Haedlicke, Jack. "CPFR: Time for the Breakthrough." *Supply Chain Management Review*.

# Reusable Packaging Can Effect all Three Financial Categories

- Revenue Enhancement
  - Merchandising at Store Level
  - Elimination of White Space at the Plant Level allowing more units sold
- Capital Utilization
  - Pooling/Rental of Reusables
- Operating Expense Reduction
  - Reduced Labor back of the stores or line side
  - Reduced Total Freight Cost
  - Material Substitution



# Factors Affecting Financial Value



# Factors Affecting Financial Value – Capital Costs

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- Supply chain cycle time (potential turns) (quick vs. slow moving product), (degree of perishability), (behavior of supply chain partners)
- Degree of business seasonality
- Reverse supply chain predictability
- Degree of specialized container requirements
- Factors that drive RPC shrink (how closed is loop/are assets secure through out loop)

# Factors Affecting Financial Value – Operating Costs

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- Geography of return logistics
- Number of RPC end users
- Degree of geographic dispersion of RPC end users
- Style of RPC Crate, Pallet or Bulk Container
- Degree of post-use RPC sanitization required after each use
- Other considerations

# Model Examples



# Model Examples – Alameda County

- Alameda County
  - Stop Waste Campaign
- [Userreusables.com](http://Userreusables.com)



<http://useresables.com/cost/cctool.html>

## Use Reusables

Reusable Transport Packaging Saves Your Company Money and Resources

Update

Reset

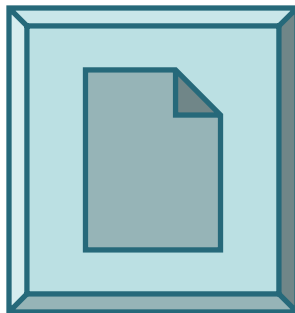
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### Reusables Cost Comparison Tool

This model compares basic cost differences of one way corrugated packaging and reusable plastic packaging. The model uses basic assumptions and requires you to input various cost components. While the model uses factual inputs from prospective users it is intended to offer guidance and not an absolute indication of exact cost benefits. More specific models are available to determine specific cost benefits once an overall feel for expected costs are understood.



Excel Model

#### Purchase Price

Enter your actual cost for a corrugated carton, and the cost of a comparably sized reusable container. Default values are provided.

Enter the cost of tape or other materials used to seal each carton.

	Corrugated	Reusable Handheld Container
		<i>* average values, your cost will vary</i>
Corrugated carton	1.00	Container price 7.50
Tape per carton	0.02	
<b>Total purchase cost</b>	<b>\$1.02</b>	

# Summary

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- Reusable Packaging can be a catalyst to positively effect financial performance
- Taking a holistic view of all financial categories (operating expense reduction, capital utilization, revenue enhancement) is critical to understanding all potential tradeoffs
- As Supply Chain professionals understanding and speaking the language of finance is essential to achieving desired results.

# Thank You for Attending!

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Want More Information?

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