



# RPA End User Insights: Education, Communication, and Collaboration Necessary to Drive Deeper Adoption and ROI of Reusables

## Introduction

The RPA is continually evaluating new strategies and tactics as part of our mission to promote the value and expansion of reusable packaging systems, and to create more value for our members. In May, we conducted our first End User Focus Group. This effort supported our core objectives of growing our membership and providing information, data, and education to accelerate the adoption of reusable packaging solutions. We gained valuable insights from the focus group that will help the association create future programs and materials.

Following is a report of the subjects discussed by the focus group participants. It is not intended to be a comprehensive report on the challenges and best practices in the reusables industry; however, we hope you will find their insights and experiences valuable.



## Summary

A lack of education and communication with internal stakeholders and external members of the supply chain is a critical stumbling block to deeper adoption and stronger ROI of reusables. This overarching challenge can result in:

- Inadequate financial and process support across functions within a company
- Lack of any and/or full participation at external sites
- Difficulty tracking and retrieving reusable assets

In addition, end users struggle at times with calculating the savings generated by reusables and with estimating the quantity of reusables needed.

Adopters of reusable solutions are thirsty for resources - including data, best practices, calculators, and networking opportunities - to help them address these issues and strengthen the benefits they are receiving from reusables.

These were the key themes voiced repeatedly during a roundtable session with 7 engineers and logistics professionals who are responsible for reusable solutions at their companies. The RPA brought the end users together in May for a professionally moderated session to gain a better understanding of their successes and challenges with reusables, and the resources needed to drive stronger adoption and ROI. The end users were manufacturers of automotive, appliance, office furniture, construction equipment, and mainframes. Others worked in the grocery/retail and beverage distribution industries.

The majority of the companies implemented reusables as a means to reduce their costs on expendable packaging. However, most of the companies have also seen savings in reduced labor, worker injuries, and product damage. One company reported saving \$12 million in improved product quality; another decreased splinter injuries and back strains that occurred in 25 percent of its workers on loading docks; another is saving 266 hours annually in the handling of parts and labor on a single line. These and other documented savings are in addition to the decreased costs spent on packaging.

Today, the drivers to reduce costs and increase operational efficiencies remain strong. In addition, participants stated that corporate sustainability objectives have become an additional influential catalyst, with three of the companies having company mandates for achieving zero landfill within the next 2 to 6 years.

**“Part of the problem is that responsibility for packaging gets pushed around. Is it the responsibility of the supply chain, purchasing, or quality?”**



## **CHALLENGE: Inadequate Financial and Process Support Across Internal Functions**

Even though sustainability has become a corporate imperative, the widespread and effective adoption of reusables is often hampered by a lack of support from internal teams. Because reusables require a change in processes in multiple areas – including manufacturing, storage, and transportation – successful adoption requires champions in multiple departments.

Several participants relayed stories about discussing the need for budget for additional reusables or tracking software, or the need to change processes, with executive internal teams. During those meetings, the executives nodded their heads and voiced their agreement; however their support faltered after the meeting.

"Part of the problem is that responsibility for packaging gets pushed around. Is it the responsibility of the supply chain, purchasing, or quality?" In addition, most managers already have their hands full with their existing responsibilities and are reluctant to take on more challenges.

Another common internal stumbling block is the purchasing department. "I am forever trying to explain the concept of reusables to purchasing. They don't understand the savings in freight and quality of products. They don't understand how reusables can impact total delivery cost of product to the line. They are only looking at price reduction in packaging."

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The education hurdles continue as additional or new reusable products are needed to roll out the program to other areas of the company and/or to additional suppliers. Many purchasing departments look at the purchase of reusables as a one-time expenditure and question additional purchases. They don't always understand that additional savings are being accrued through the expanded use of reusables. Also, some companies believe they can layoff personnel after a reusable program has been implemented.

"It's tough to convince purchasing and others in the company that it's not a one-and-done implementation. Companies don't understand that they need to keep people in place to keep a reusables program going."

Competing profit and loss centers are another barrier. Costs like transportation might be newly associated with the reusables program, making it appear that the initiative is increasing costs. "These costs resided somewhere else before, but now they are all lumped in with reusables. So as we expand the use of reusables, the costs keep going up."

Even when purchasing is on board, communications need to be ongoing. At one company, the purchasing department overlooks the need to order more reusable containers when they increase the number of parts that will be loaded into the containers. At another company, manufacturing needs to convince purchasing that one size does not fit all and that the wrong size tote will have a negative impact on kitting on the line. "Every time a new program comes along, we have to start over at the beginning."



## Best Practices

The roundtable format gave participants the opportunity to share their successes as well as their frustrations. One member who has successfully led strong adoption throughout the supply chain stressed the importance of framing the need for reusables within an overarching company imperative that crosses all functions, and then placing responsibility for it with one person or department. "If we say it's about the environment, than someone says 'why does my department need to do that?' If it's about cost savings, then someone else says, 'where are the cost savings for my department?' If it's about milk and bread crates, then other departments don't see it as their responsibility. At our company, we understand that our reusables are about improving quality, and that concept applies to everyone."

The move to reusables at the retail company was driven initially as a cost-saving solution to the amount of produce that was damaged. Additional observation showed its impact on other areas, like eliminating eye injuries from staples and improving worker safety in other ways. "We saw that reusables can improve quality in every single area of our business, and so we approach it as a total supply chain initiative."

At this company, the supply chain comes out of the logistics group. The participant interfaces with procurement, store operations, the key retailing and shrink groups, risk management (ergonomics), and external suppliers. The participant also stressed the need for executive support at the highest level. "Our president was already on board with the idea of reusables, but then I had 15 minutes to present in front of him. Then the effort really picked up steam. He began asking questions about reusables as he visited our retail stores. The high-level visibility gave it the momentum it needed."

Others agreed that effective adoption requires taking a company-wide view, and moving reusables out of the silo of a single department. Sharing data and demonstrating the problems firsthand have been effective tools for some of the participants to foster this view. "Take people from different areas like manufacturing and transportation around with you to see the problems, and then go as a team in front of procurement." Another company diagrams current operations where expendables are used and then provides an overlay that details the labor and operational savings that will be gained with reusables, and the process changes that will be required. "Doing a show-and-tell of what is happening today and what can be gained is a basic but powerful first step."

Cross functional teams should be created before implementing reusables in order to avoid stumbling blocks later on. One company involves its production supervisors, facilitators, conveyance operators, distributors, part suppliers, and packaging engineers. Several participants execute pilot and pre-production runs internally and with external players. "We test the actual process over and over again. It's a lot easier to fix the problems upfront than it is to go back and try to change a process."

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## CHALLENGE: Lack of Participation at External Sites

The need for ongoing education, and arm twisting at times, extends to external members of the supply chain.

For some suppliers, there is little incentive to use the reusables supplied to them. At times, reusables are disruptive to a supplier's operations if they are also using expendable packaging for other customers. Some suppliers simply ignore the reusable containers and pallets and continue to send product in expendable packaging. The roundtable participants had mixed reactions to the idea of making use of the reusables mandatory.

Even when the external members are willing participants, the originating companies still have difficulty ensuring that every touch point is following the proper processes. "I deal with hundreds of suppliers. I just don't have the time to work with each one." And the interdependency of the supply chain creates a ripple effect of problems. For example, one site might mistakenly believe they should hold their empty reusables until they have a larger quantity to return. The longer dwell time impacts the number of reusables available for fill farther down the supply chain. Also, when the stockpiled reusables are finally loaded, the additional reusables decrease the truck capacity that was allocated to pick up reusables at other locations.

**"We work closely with our suppliers to identify possible problems and fix them ahead of time."**

## Best Practices

Working in tandem with members of the supply chain before rolling out reusables is very beneficial. "We work closely with our suppliers to identify possible problems and fix them ahead of time. The product needs to work in their system, and not be an added cost. And the container needs to be something that is easily returned. Getting buy-in ahead of time is crucial."

Another participant that has products coming in from multiple suppliers agreed that strong relationships are essential, and added the need to control freight operations. Working with the transportation companies to educate them on loading patterns and other tactics is beneficial. Another participant added that providers of reusable products and services need to get involved operationally with the suppliers to help resolve some of these issues.

Collaboration is equally important for internal operations. "I take ownership of the entire loop. I get my drivers and the people on the line to help, and to understand the problems when they mix totes. But it's easier to see the entire supply chain when you have a closed loop."



## CHALLENGE: Difficulty Tracking and Retrieving Reusable Assets

The challenge of getting reusables back in a timely manner and tracking them throughout the supply chain generated a lot of discussion among the roundtable participants. "We ship product all over the country in reusables, and we're chasing them all the time to get them back."

Although theft plays a role, the larger issue comes down to – once again – a lack of understanding and education. In its initial calculations, one company estimated that their reusables should remain at the customer site for 2 to 5 days. In reality, they sat there for 10 to 11 days. The customer does not understand that holding reusables for an extended time impacts the availability of reusables in another area of the supply chain, possibly even stalling a line operation; and they have no incentive to return them quicker. Other sites hold on to the reusables to fill them with other product, and not necessarily the right product.

## Best Practices

To address these challenges, one company levies a financial penalty on their suppliers that hold the reusables beyond a set period of time. They are also fined for lost reusables. A beverage distributor has achieved a low loss rate on its containers and pallets by charging a deposit. The cost is a float that is never charged to the distributor unless the assets are lost.

Participants all recognized that ongoing education is as important as fees. "Most people don't understand the costs. If costs go up half a penny per tote, it can add up to a million dollars." The key is getting to the right people at the supplier sites who understand the implications on processes and costs, and care about it.

All the participants agreed that better processes and perhaps improved and more affordable technology can help address the problem of managing reusables throughout the supply chain. Most of the participants felt that the change in processes required for effective use of RFID tracking was too big of a hurdle; and/or the technology is currently too expensive. But they are eager for other companies to implement the technology and pave the way for adoption. Some of the participants are using inventory tracking software that they purchased or developed in house.

Admittedly, tracking the assets is the lesser challenge. Retrieving them is the larger obstacle. "We're going to lose 3 percent of our assets no matter what. It's not worth the time to write all those chargebacks each month and to chase them."

**"I deal with hundreds of suppliers. I just don't have the time to work with each one."**



## CHALLENGE: Calculating Savings and Estimating Quantity

The methods used to calculate the number of reusables needed and the cost savings of reusables – and what to calculate – generated considerable discussion. Determining the quantity requires understanding and enforcing dwell times at points throughout the supply chain and other factors like cleaning and repair times. Even with effective tracking, a small percentage of reusables will be misplaced, and others will eventually get damaged and need replacement.

Some companies also struggle with the best method to calculate their return on reusables. The Reusable Packaging Association, as well as some suppliers and end users, have created detailed calculators for end-user companies to weigh the cost of reusable versus expendable packaging. The variation in the calculators reflects the different weight assigned to various factors by industry. For example, automotive and industrial manufacturing rank the quality in parts inspection higher than some other industries. In addition, the complexity of the math is proportional to the number of types of reusables in the supply chain. Companies might need to compare the cost of using reusables with expendable dunnage versus returnable dunnage; and collapsible containers versus non-collapsible, and other combinations.

### Best practices

The participants agreed that it is likely that companies will need to purchase more reusables than they initially calculate. "If you miscalculate the quantity, you suddenly have a supplier resorting to cardboard and that impacts operations at the receiving end that is set up for reusables," said a retailer. "Not having the right container can shut down operations," added another participant. "It's all about understanding the total cost. What is the cost impact of not having 10 percent more containers?"

They also agreed that is essential to undertake the complex process of calculating the projected savings in order to gain support for a reusable program. Participants also recommended ongoing measurement to document the business case for continued support and possible expansion of the program. Participants stated that the elements calculated need to be far ranging, including factors like savings in freight, reduced injuries due to improved handling and cleaner assembly areas, labor and time reductions in part presentation and material handling, and reduced disposal costs.

**"We need to collaborate with other companies that are using reusables to learn how to be leaner."**



## **Education and Collaboration Will Drive Deeper Adoption and ROI**

Although several of the end user participants face significant challenges, they also expressed their strong support for the use of reusables in the supply chain. All the participants found the roundtable session helpful and voiced the need to have more opportunities to collaborate with and learn from others who are using reusables. Some stated that they are solving their challenges largely on their own. Others reach out to peers or respected vendors for help. "One company alone can only drive down costs so much. We need to collaborate with other companies that are using reusables to learn how to be leaner." "We need to stop separating out by industry," stated another participant. "We need to learn how to be more efficient from one another, and identify common interests."

The RPA greatly appreciates the time and insights shared by the participants at our roundtable. We will use the information to continue to build stronger educational programs and industry tools to advance the adoption of reusable packaging and systems throughout the supply chain.