

ICONOTECH

“Boost Profits and Sustainability with
Optimized Corrugated Purchasing”



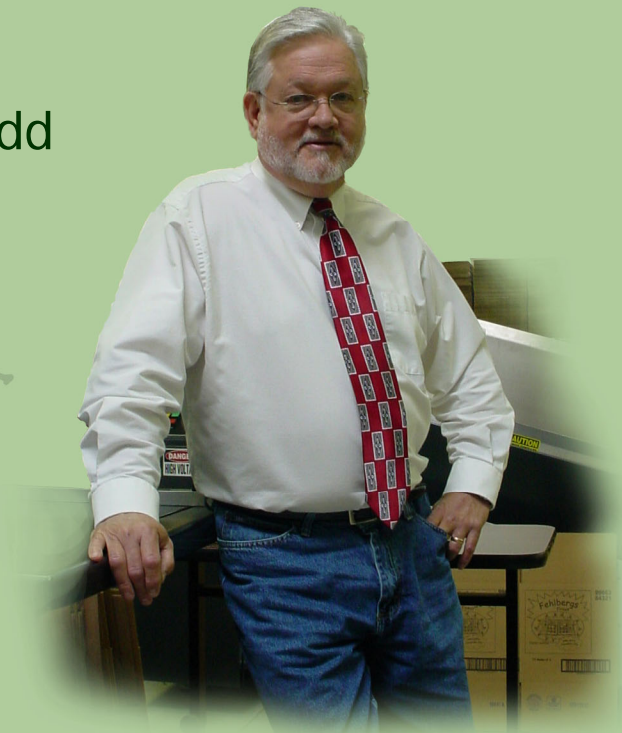
The Advantages of Optimized Corrugated Case Purchasing

- Even the smallest of budgets can achieve tremendous success
- Gain the competitive edge over the competition
- People, Planet & Profit
 - Improve work environment for your employees
 - Has a positive impact on the planet
 - Brings huge savings to the bottom line
- Boosts Sustainability scores
- In the end – it is just a Good Manufacturing Practice (GMP)



The Traditional View of a Pre-Printed Corrugated Inventory

- Why use Pre-Print corrugated?
- Point of purchase case decoration cannot be achieved with ink jet or labels
 - Contains logos, graphics, bar codes and SKU specific information
- High visibility in the warehouse
- Viewed as easy to manage
 - Cases ordered
 - Cases arrive
 - Taken to the production line – no need to add anything
 - No line related production interruptions



Single Pre-Print SKU Purchasing Example

Existing SKU : King Bjors Belgian Waffles Decadent Banana

New Item : King Bjors Belgian Waffles Succulent Strawberry

Wal-Mart first order : 2,000 cases

Due date : 2 weeks

Lead time on rubber printing plates : 10 Days

Lead time on case delivery : 3 days after plates arrive

| | Qty | Due |
|----------------------------|-------|----------|
| 49876 Succulent Strawberry | 2,500 | 10/29/07 |
| 49876 Decadant Banana | 2,500 | 10/29/07 |



Succulent Strawberry

What happens next ? Material Management

1. Design artwork, assign UPC, create nutrition panel and ingredient statement, create layout and get approval
2. Order printing plates
3. Order cases - what do you do?

- Hedge against follow-up order ?
- Hedge against order add-on ?
- Account for equipment related scrap ?
- Order for best pricing ?
- How many do you order ?

2,500 ? — This is what you decided to do.

3,000 ?

5,000 ?

10,000 ?

- Every order quantity can be wrong !

2,500?
3,000?
5,000?
10,000?

- Order for best pricing ?
- How many do you order ?
2,500 ? — This is what you decided
3,000 ?
5,000 ?
10,000 ?
- Every order quantity can be wrong !



Reality View of Pre-Printed Corrugated Inventory

What changed? This used to be so easy and convenient.

- Small companies get larger and more complex – product line grows
- Limited production lines expand into massive lines – overtime and added shifts – especially evident in marketing driven companies
- Customer demands and requirements change
- SKU information can change frequently – nutrition panels and ingredient statements
- As companies grow, production areas are top priority pushing corrugated inventory to remote, inconvenient locations or into outside warehouse space
- Over time, Pre-Print inventories multiply faster than rabbits leading to extreme confusion, frustration and potential production delays



You are very successful. You now have 600 SKU'S.

Wal-Mart order

- Average production order per SKU is 2,000 cases
- 2,000 cases x 600 SKU's equals 1,200,000 cases
- 500 cases per skid (13.2 Sq.Ft. per skid) equals 2,400 skids or 31,680 Sq. Ft.

Built in excess

- 500 extra cases x 600 SKU's equals 300,000 excess cases in inventory
- 500 cases per skid (13.2 Sq. Ft. per skid) equals 600 skids or 7,920 Sq. Ft. for SURPLUS!

Combined

- 2,500 combined cases ordered per SKU equals 1,500,000 cases
- 500 cases per skid (13.2 Sq. Ft per skid) equals 3,000 skids or 39,600 Sq. Ft. for total combined floor space

THESE ARE VERY CONSERVATIVE NUMBERS!



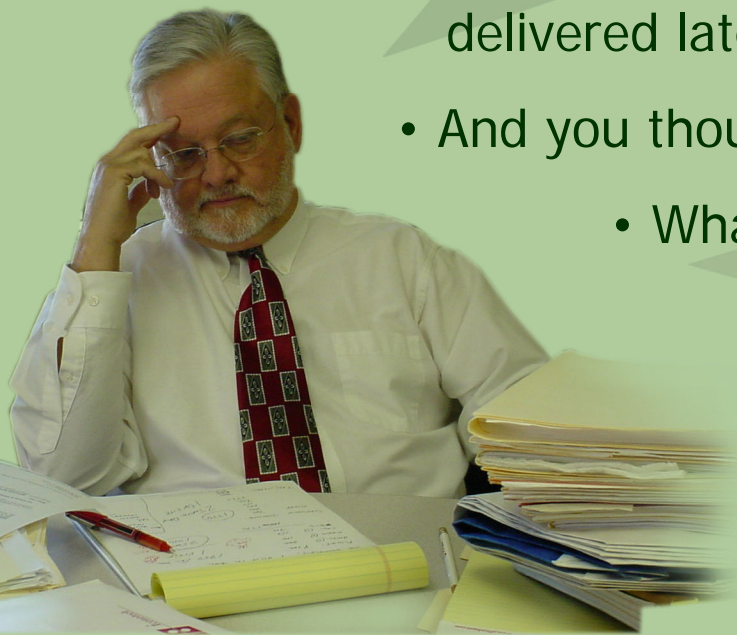
Understand the core issues: CYB Purchasing (Defensive)

- The Materials Manager must keep an eye on all 600 SKU'S. The trigger to order Pre-Printed SKU'S is generated from a production schedule or sales forecast. Schedules change, forecasts are inaccurate, lead times and equipment availability can wreak havoc. THIS IS THE KEY ISSUE THAT MUST BE CHANGED!
- Human nature will:
 - Take the path of least resistance
 - Have a concern for long term employment
 - Will have inventory on hand when needed regardless of cost
- This leads to Cover Your Butt purchasing (CYB)



CYB purchasing leads to:

- Worries about book inventory – is it accurate?
- Asking for repeated cycle counts
- Worry about add-on ordering
- Always ordering early to avoid stock-outs
- Always ordering more than production calls for
- Faulty decision making due to time pressures
- The Materials Manager's worst nightmare – being blamed for production shut downs or customer orders that are delivered late, incomplete, back ordered or not at all.
- And you thought this was easy!
 - What do you do?



Generic Case Printing: CYC purchasing (Offensive)

- Optimized Purchasing cuts the Pre-Print cord.
- This leads to Cover Your Company purchasing (CYC)
- Unlike the chaos associated with ordering Pre-Print cases the trigger to order a Generic Case is based on case size and historical monthly or annual usage
- Instead of worrying about the 600 individual SKU'S, you are now concentrating on 20-30 Generic Case sizes. **THIS IS THE KEY POINT!**
 - Determine all SKU'S that fit into a common case size
 - Determine the volume used on a historical basis
 - Order plain Generic Cases and establish automatic replenishment levels
- Print Generic Cases on a just-in-time basis
 - How am I going to do this?
 - May be accomplished in a variety of ways
 - Labels
 - Ink Jet
 - Iconotech Case Printers

Offensive Purchasing Strategies – Taking Control

1. Buy more of less

- Identify all Pre-Print SKU'S with common case sizes and structure
- Single item SKU'S or super high volumes can remain Pre-Print
- Determine monthly or annual volume
- Order optimum Generic Case order
- Establish replenishment levels for easy restocking, can be automated
- Print what you need, when you need it, in house
- BOTTOM LINE: Spread corrugated supplier's set-up charges over a greater volume
- Cost model for a common case - You can save up to 40%

| <u>QTY</u> | <u>Unit cost</u> | <u>Cost savings</u> | <u>Percent</u> |
|------------|------------------|---------------------|----------------|
| 500 | .896 | 0.00 | 0.00 |
| 1,000 | .708 | 18.8 ¢ | 21.0 |
| 2,500 | .592 | 11.6 ¢ | 16.4 |
| 5,000 | .552 | 4.0 ¢ | 6.8 |
| 10,000 | .534 | 1.8 ¢ | 3.3 |
| 20,000 | .526 | .8 ¢ | 1.5 |

Increasing the batch size from 500 to 20,000 cases saves 37¢ or 41.3 %



Generic Case Printing Works for Everyone

Small Business

- Currently produces 1,000,000 cases annually or 2,800 cases per day
- Currently buying cases at a 500 average batch level
- Switch to Generic and buy a batch size of 1,000
- Result, 1,000,000 annual cases at a savings of 18.8 ¢ each equals an annual savings of **\$188,000.00**

Large Business

- Currently produces 10,000,000 cases annually or 28,000 cases per day
- Currently buying Pre-Printed cases at a 5,000 average batch level
- Switch to Generic and buy a batch size of 10,000
- Result, 10,000,000 annual cases at a savings of 1.8 ¢ each equals an annual savings of **\$180,000.00**

All companies will see additional savings in the elimination of printing plates

2. Get competitive bids

- Rubber printing plates are no longer a ball and chain
- Generic Case or plain cases are considered gravy business by most corrugated suppliers - they welcome this business
- Cases can now be supplied by a number of suppliers making a back-up source a reality
- Competitive bidding may yield an additional 5-10% of savings

3. Avoid the cost and delays associated with printing plates

- Plates can cost \$250.00 to 3,000.00
- Lead time can be up to 2 weeks
- Changes or slugs are \$50.00 to 250.00
- Not uncommon for a marketing driven company to purchase \$50,000 to 150,000 in plates per year.



4. Reduce scrap rates

- Generic Cases turn over rapidly
- Pre-Print cases sit in inventory for prolonged periods of time
 - Susceptible to damage or misplacement
 - Susceptible to bowing and warping causing line problems
- Has a substantial impact on environment and sustainability scores
- Less to recycle – less to transport



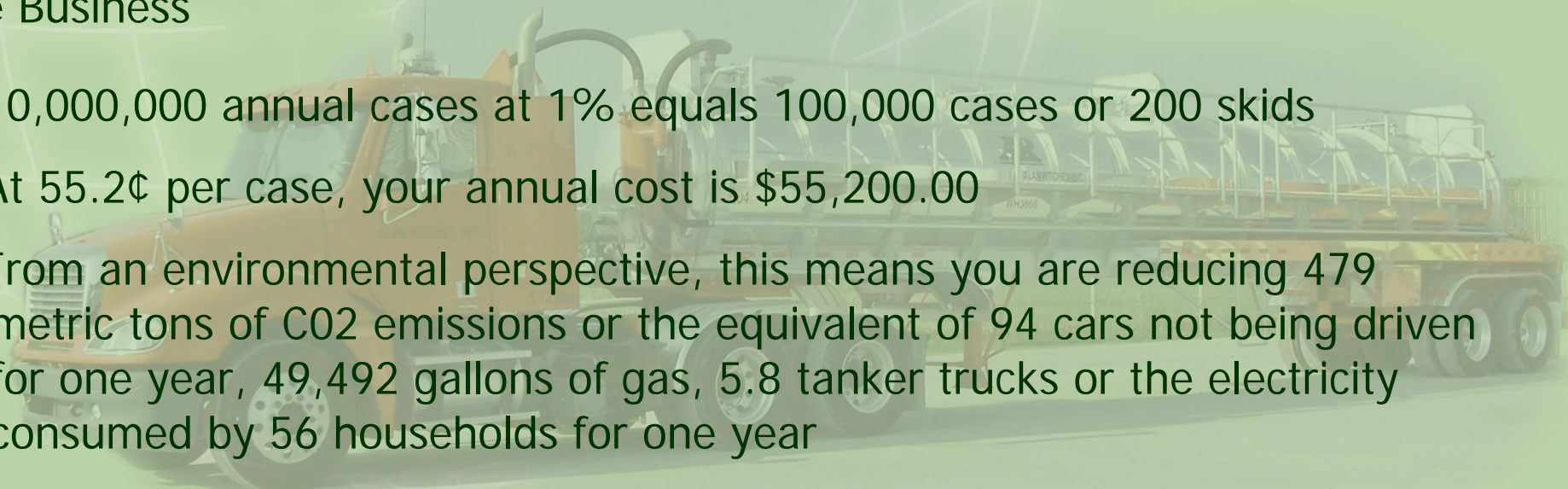
Assuming a very conservative 1% scrap rate, this is what it is costing you:

Small Business

- 1,000,000 annual cases at 1% equals 10,000 cases or 20 skids
- At 89.6¢ per case, your annual cost is \$8,960.00
- From an environmental perspective, this means you are reducing 48 metric tons of CO₂ emissions or the equivalent of 9.43 cars not being driven for one year, 4,960 gallons of gas or the electricity consumed by 5.59 households for one year

Large Business

- 10,000,000 annual cases at 1% equals 100,000 cases or 200 skids
- At 55.2¢ per case, your annual cost is \$55,200.00
- From an environmental perspective, this means you are reducing 479 metric tons of CO₂ emissions or the equivalent of 94 cars not being driven for one year, 49,492 gallons of gas, 5.8 tanker trucks or the electricity consumed by 56 households for one year



5. Reduce corrugated obsolescence

- By definition, Generic Cases cannot become obsolete
- How Pre-Print cases become obsolete
 - SKU is discontinued
 - SKU is a one-time production run or time specific
 - Changes are made to case layout
 - Marketing changes look of the case
 - Company name change through acquisition
- Bottom Line: less obsolescence means less recycling, less pick-ups and less greenhouse gases!



Assuming a very conservative 5% obsolescence rate, this is what it is costing you:

Small Business

- 1,000,000 annual cases at 5% equals 50,000 cases or 100 skids
- At 89.6¢ per case, your annual cost is \$44,800.00
- From an environmental perspective, this means you are reducing 99 metric tons of CO₂ emissions or the equivalent of 19 cars not being driven for one year, 10,229 gallons of gas or the electricity consumed by 12 households for one year

Large Business

- 10,000,000 annual cases at 5% equals 500,000 cases or 1000 skids
- At 55.2¢ per case, your annual cost is \$276,000.00
- From an environmental perspective, this means you are reducing 993 metric tons of CO₂ emissions or the equivalent of 195 cars not being driven for one year, 102,601 gallons of gas, 12 tanker trucks or the electricity consumed by 116 households for one year

6. Convert corrugated storage space back to productive use

- Pre-Print requires vast amounts of square footage for storage based on the CYB purchasing strategy
 - 600 SKU'S with a 2,500 inventory each equals 1,500,000 cases
 - 500 cases per skid equals 3,000 skids
 - 3,000 skids at 13.2 Sq. Ft. equals 39,600 Sq. Ft. of warehouse required
- Generic Case Printing lets you consolidate your inventory into a manageable, productive environment based on CYC purchasing strategy
 - 30 Generic Case sizes at 10,000 inventory each equals 300,000
 - 500 cases per skid equals 600 skids
 - 2,400 skid reduction equals 31,680 Sq. Ft. reduction or 80%



7. Reduce inventory carrying costs

- Inventory costs companies real dollars to purchase
- There is an internal cost to carry that inventory
- Generic Case inventory is a fraction of the size of Pre-Print inventory
 - Assuming an average case cost of 59.2 cents per case and an average Pre-Print inventory of 750,000 cases equals \$444,000.00 in inventory
 - Assuming a 3% carrying cost equals \$13,320.00 annual cost or \$ 1,110.00 per month
 - Assuming an average case cost of 53.4 cents per case and an average Generic inventory of 150,000 cases equals \$80,100.00 in inventory
 - Assuming a 3% carrying cost equals \$2,403.00 annual cost or \$ 200.25 per month

Reduce Overall Head Count Requirements

- Reducing inventory and SKU'S reduces the need for labor
 - Office (purchasing management) functions are greatly simplified
 - A reduction in SKU'S and overall inventory requires less effort
- Warehousing functions are greatly simplified
 - No more emergency cycle counts
 - No more hunting expeditions to locate SKU'S
 - Cases arrive on a schedule instead of a fire truck
- Personnel may be able to be re-assigned to other functions



Improve Overall Warehouse Safety

- Corrugated storage usually gets squeezed to the outer limits. Out-of-sight should not be out-of-mind.
- Excessive Pre-Print inventory can lead to:
 - Dangerous stacking heights
 - Blocked isles and passage ways
 - Unsafe retrieval practices
- Reduced inventory equals reduced liability and workman's comp claims



So what do you do.....

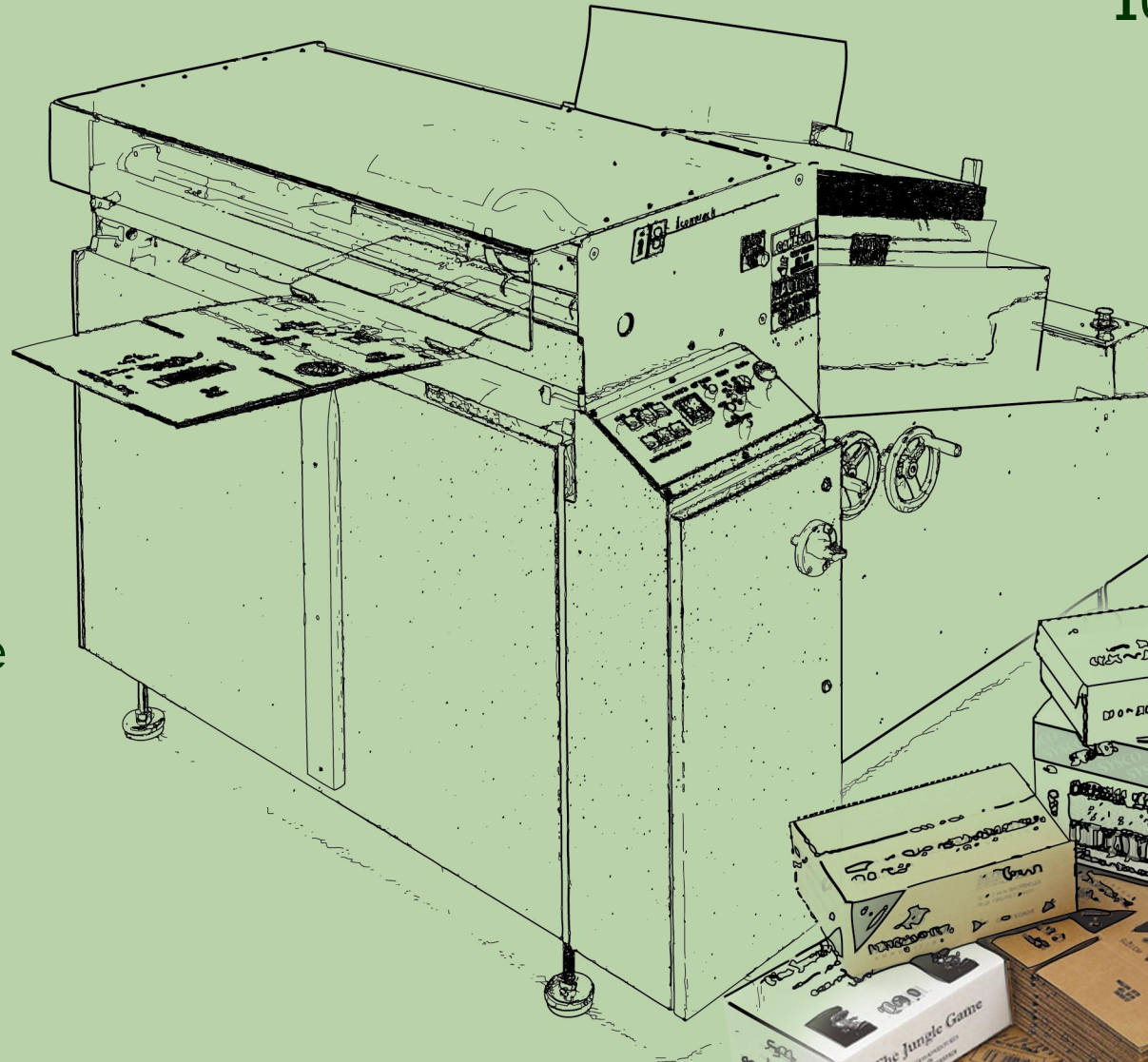
1. Fight back! It is never too late. This is low-hanging fruit.
2. Join the growing list of companies that have benefited from CYC purchasing
3. You can enjoy all the benefits of a Generic Case Program without:
 - Sacrificing Pre-Print quality or marketing capabilities
 - Sacrificing verifiable bar codes and high quality graphics
 - Risking production line shutdown
4. Pocket the savings and feel good about it
5. Do the right thing for your employees, clean up the Pre-Print problem for once and for all
6. Boost your sustainability scores and do the right thing for the environment



For more information on Generic Case Printing Visit

Iconotech.com

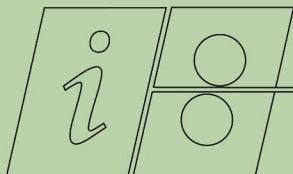
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