



Production Driven Purchasing Drives Up the Costs of Pre-Printed Cases

Everything about the traditional model for purchasing pre-printed corrugated cartons is wrong. When companies switch to a Generic Case Printing Program, they can save anywhere from tens, to hundreds of thousands of dollars annually and make substantial progress into the conservation of resources and the elimination of printing plates, scrap and obsolescence.

The trigger to order pre-print comes from a production schedule or a sales forecast and is SKU related. As a result, ordering pre-printed corrugated shipping cases unfortunately leads to inventory overload, because it is driven by fear and speculation. Fear, because shutting down a production line, delivering late, short or not at all is considered a death penalty. Unscheduled line changes or sending people home because production is halted is just as bad. Speculation exists because you would do anything to avoid a death sentence. This is the start of a downward spiral. Human nature will always err on the side of buying SKU specific cartons early so they will be in inventory when production is ready. It also leads to over purchasing to eliminate the possibility of running out during a production run.

From the buyer's standpoint, it is the lesser of two evils to over purchase than to suffer the consequences of shutting a line down. However, excess inventory is subject to becoming lost, forgotten, damaged or obsolete. Ultimately, it becomes scrap.

Look at a typical example. A production run for a specific SKU requires 4,000 cases. It is a logical choice to order 5,000 cases to get a better price break and be assured of not running short of cases should the run exceed the estimate. The run ends up at 4,212 cases leaving an overage of 788 SKU specific cases to be moved off the floor and back to the warehouse. You run this product every two months, so these cases sit for a while.

The production schedule shows a new run coming up of 3,000 pieces. It is the week before so, what do you do? Inventory says you have 788 in house, are the books right? You think you know where they are, but someone has to go out, find and count them. In the mean time, you order 4,000 more to be safe, especially because you are late in ordering. You call your supplier and have the same confrontational phone call you always have when you order late. He really doesn't like it but does it anyway. Eventually, it comes back to you in the form of a price increase.

The shipment arrives just in time for the run, assuming it is correct, you run. What happened to the 788 in inventory? Well, you decided to leave them there because it was easier to take the whole run out of what just came in, rather than try to dig out what was already in house. The run falls short and you only use 2,537. You have an additional 1,463 cases to log into the books and put away. Several things can and do happen. In the panic to get the next run going, the cases get set off to the side to be put away later. The shift changes and no one knows why these cases are here. Perhaps they go back, but you can't find where they go or you can't get to where they go, so maybe they just sit in the aisle.

Potentially, there are 2,251 of the same SKU, in two places. This condition mushrooms with each production run. Day after day, month after month, year after year. Compound it by 500 different SKUs and there is soon a need for additional warehouse space and more employees to manage the problem.



What seemed like such a great idea 8 years ago when you had 10 SKUS, turns into an absolute nightmare at 500. Now, you are drowning in a sea of inventory, scrap, and obsolescence. It is costly, very costly, when one adds in the price premium for the small orders of pre-print that inevitably occur and the possibility for injuries in the potentially unsafe working environment.

By contrast, ordering generic cases puts the control in the buyer's hands. With a generic case program, **the trigger to order is based on usage for a COMMON CASE SIZE, not an SKU, and this is HUGE.** Ordering a greater number of a **generic case size** rather than a lesser number of a specific SKU, drives the unit costs down dramatically in addition to reducing inventory. The hazardous aisles, jumbled inventory, overloaded warehouse, leased outside space all go away. Space once taken by obsolete inventory can now be converted back to productive activities. Case inventories can easily be viewed to verify if stocks are getting low. Yes, the buyer will have to plan for a certain safety net of generic cases, but the safety net for 10 generic case sizes pales in comparison to that of 500 SKUS. And if one supplier cannot make a delivery, the absence of printing plates makes it possible to get it from another supplier.

The fact that you are no longer tied by printing plates to one corrugated supplier puts real purchasing leverage in your hands. Imagine the cost advantage of bidding out case purchases to several suppliers, a terrific assurance of getting the lowest cost.

Generic Case Printing can be accomplished in several ways. The two most common methods are Ink Jet and Labeling. Ink jet attempts to replicate a pre-printed case with text, graphics and bar codes. However, print quality does not consistently stand up in comparison to pre-print, and there are issues with reliability and high maintenance costs. Being online, ink jet also adds its own share of downtime to production.

Labeling solutions offer the promise of higher reliability than ink jet and the opportunity to provide better graphic quality as well. However, they cannot compare to pre-print in terms of print area for including the desired graphics and text on the case and as a result, offer little marketing impact. Labels offer a confined print area suitable only for the essential product identification necessary for the supply chain, and the larger the label the more cost is added to the box. Hand applying labels is slow, sloppy and labor intensive. Automatic print and apply labeling machines mounted on the production line carry the same threat of downtime as ink jet equipment.

The Iconotech Case Printing System offers the greatest similarity to pre-print. It gives the same large print area and flexibility for graphics to enhance product marketing and replicates pre-print quality. But the user gets the huge cost advantage of buying and inventorying generic cases. Simple and easy to use, Iconotech's line-up of Case Printers is extremely durable and virtually maintenance free. With a generous 11" x 32" print field to work in, stellar graphics and bar codes are quickly created in the LabelWorks program or may be imported directly from Adobe Illustrator on a PC. Utilizing a Mylar film as the "printing plate", layouts are output to a thermal imager that burns through the Mylar and exposes the backer. The stencil is placed on the print cylinder and the non-toxic, oil/water emulsion ink passes through the stencil and prints in direct contact with the case. The results? Pre-print quality, on your generic case at less than 1 cent per side, including labor. You print what you want, when you want it, on your terms. Match that up with your new corrugated costs and it is easy to see the cost justification.

To learn more about Generic Case Printing or the Iconotech line-up of case and bag printers, visit our web site at www.iconotech.com or call our sales staff at 800-521-0194.