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REDUCTIONS IN NUMBER OF SECONDARY CARTONS USED BY MANUFACTURERS

by

Lamar Patton
Distribution Management Association
of California

Good morning ladies and gentlemen. With the understanding that a number of you are involved in the field of Agriculture at the university level and the fact that I was raised in a village of 230 souls in central Iowa, I have a short story to tell. This event took place a number of years ago when Mr. Wilson of General Motors was Secretary of Defense and Dr. Hanna of Michigan State University was an Assistant Secretary. A friend of mine who was Professor of Accounting at the University of Michigan was also doing some work in Washington. After boarding the plane at Detroit, he discovered that he was seated directly behind the gentlemen and thought that he possibly might get an ear full of defense related matters. What they did discuss was the artificial insemination of cows! With that my friend from Ann Arbor who had been raised on a farm and had long since lost his interest in farming, took a nap!

Now to turn to more meaningful matters. I am Lamar Patton and am a member of the DISTRIBUTION MANAGEMENT ASSOCIATION OF CALIFORNIA. We are an association involved in physical handling of goods from manufacture to retail outlets throughout California. As a group, we, like many people, have decided that standardization of handling units would be a great financial benefit to each of our respective companies, along with making each of our jobs not only easier but

more efficient. We are warehouse managers primarily involved with food product who work for three different categories: First - Producers and Manufacturers - Delmonte, C&H Sugar, General Foods, General Mills, Cheseborough-Ponds; Second - Food Chains - Lucky Stores, Alpha Beta, Ralph's, United Grocers, Consumers Distributing (a large discount chain); and Third - Public Warehouses handling not only foods but a great variety of items. We have 30 members in the Bay Area and 60 in Southern California. The groups meet monthly and once a year have a joint meeting where professional items are presented and discussed such as you have had these last three days.

As a project, we have undertaken the task to radically reduce the voluminous and excessive numbers of SECONDARY CARTONS in which merchandise is received in warehouses. We realize this is a problem with many interesting ramifications - however, certainly not impossible to solve. The problem has been studied for a number of years without any definite action being taken. Costs keep increasing and by nature are passed on to the CONSUMING PUBLIC. It is understood that food chains and associations are working with a narrow profit margin and by necessity have no alternative.

To cite an example of the expansiveness of the problem, we have a member in

the Los Angeles area who recently made a study to find that of 8,000 line items received in Secondary Cartons, 3,000, I repeat, 3,000, were of different sizes and shapes. The problem originates at the Manufacturing or Producing level. Primary Carton sizes are changed under the direction generally of the Sales Department in order to meet competition. The resultant change in the size of the Secondary Carton is normally made without regard to their own Distribution Department as well as customers at the Retail Level. One of our most active members who is with a large manufacturer has held meetings with various levels of his company including sales personnel as well as top management. He has been able to convince all involved that the problem is real, increased handling costs are definitely involved, and serious consideration must be made prior to changing sizes of cartons - both PRIMARY and SECONDARY. This will be our objective as our program progresses. We should not expect overnight changes as it will be a selling job to bring changes in philosophy that are today firmly imbedded in practice and procedures.

Undoubtedly many of you are familiar with a GAO report entitled "Redesigning Shipping Containers to Reduce Food Costs." This extensive report was prepared by Steven Sternlieb with whom we have worked. The report has a control number of

CED-78-81 and an issue date of April 28, 1978. In addition, we are aware of the two countries in Europe - Switzerland and Sweden who after concerted action by all parties involved have radically reduced the number of sizes. In addition, the report entitled "An Examination of the Effect of Modularization of Secondary Containers on Productivity in Grocery Distribution" made by Arthur D. Little, Inc. for the National Association of Food Chains is quite extensive. This report has a control number of C-76278 with a date of August 1974.

My last item to cover pertains to the terms "Collusiveness" and "Discrimination" that might enter the picture. We are aware of the address given by Mr. Ky Ewing of the Justice Department at the ANMC's 1979 Annual Conference as the Sherman Anti-Trust Act might apply. Our only comment at this time is the fact that all in the distribution chain will benefit from any possible reduction and secondly that legal advice will be utilized.

It has been my pleasure in making this short presentation. We do have some very talented members and are heavily involved in food products which is king in California - so we will do our utmost to watch our step and proceed with due caution.

Thank you.
