

GEORGIA-PACIFIC'S DISCIPLINED COST-SAVINGS ASSESSMENT TOOL LINKS SUSTAINABILITY AND THE BUSINESS CASE

While other companies discuss the possibility of a business case for sustainable packaging, **Georgia-Pacific** has put actual numbers to its sustainability equation through a rigorous, cost-savings assessment program.

The Atlanta-based company has married its Packaging Systems Optimization (PSO) program to customers' sustainability goals in an attempt to showcase cost savings that can be gained by designing, distributing, and selling packages that meet sustainability objectives. The cost-savings tool provides a rigorous, disciplined approach to understand the economic impact of a package's journey through its entire lifecycle, said Brian Reilly, senior director of G-P's **Innovation Institute**, the company's package development center.

"On average, whenever we look back at audits, we find that companies attack 40 percent of the cost picture but miss the other 60 percent of the picture if they don't look at the supply chain," Reilly said. "We follow a very rigorous, five-step process that starts with looking at the overall scope of a customer's supply chain."

G-P's process goes beyond what many other companies offer in cost analysis, whether it be through software tools or a package evaluation in a design center. The PSO program could be a bellwether of what packaging suppliers will need to do in the future to meet stricter retailers' goals for sustainable

packaging, such as that on **Wal-Mart's** packaging scorecard. While G-P's program was launched before Wal-Mart announced its sustainability scorecard, it uses similar measures to assess package performance at customer plants.

Currently, G-P uses its PSO tools for its corrugated box packaging. After planning the audit's scope in the program's first step, evaluations are performed at customer facilities that analyze the impact of package design, shelf impact, SKU consolidation, packaging materials, and packaging alternatives on costs.

During 2007, making sustainability a key part of the program, G-P expects to save close to \$40mn for customers, Reilly said. The company works with both retailer and end user customers on the cost-savings measures. In some cases, G-P is both the package supplier and the brand owner, increasing the program's internal impact.

One question asked of G-P by customers is whether the PSO program could lower the company's revenue line when less of G-P's fiber is used in future box projects. Last year, G-P reduced fiber usage for one customer alone by 500 tons and has since reduced that even more. Reilly said the benefits of longer-term, collaborative relationships with customers far outweigh any short-term losses from reduced material usage. "There are opportunities," he said. "Increased profitability and improved sustainability go hand in hand."

Working 5 To 9

Georgia-Pacific's five-step Packaging Systems Optimization (PSO) process looks at nine areas when evaluating how a customer can save costs on a corrugated box product, and the meeting of sustainable packaging targets is paramount in those on-site assessments. The nine areas evaluated are:

Package Design	Material Packaging
SKU Consolidation	Shelf Impact
Material Handling	Alternative Packaging
Warehousing	Productivity Improvements
Transportation	

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