



SUPPLY CHAIN SOLUTIONS. DELIVERED.



## Case Study

## Keg Management Program



### Collaboration Drives Efficiencies and ROI

#### SLG's Collaborative Community

- ◆ 94 breweries
- ◆ 105 brands
- ◆ 1215 distributors
- ◆ 203 transportation partners

#### Client Challenge

Revise empty keg reverse logistics supply chain so that brewers can meet their production schedules, avoiding huge Capital Expenditures and reducing administrative costs.

#### Solution

Leverage SLG's professional logisticians with their comprehensive network of brewers, distributors, and trading partners to improve asset utilization.

#### Results

Domestic Brewer ROI improved by \$15,000,000

North American Import Brewer ROI improved by \$3,000,000

European Brewer ROI improved by \$7,104,000

#### Summary

An effective Keg Management Program is hard work and requires a comprehensive, well designed and proven process to assure this valuable asset is protected. It requires assigned resources, monitoring and strong partner collaboration to assure all steps have been taken. Given the current metal costs, excessively high loss rates, asset replacement costs and potential ROI impact, it is imperative that all brewers execute a comprehensive program.

The collaborative efforts between Satellite Logistic Group, its clients, their distributors and SLG's trading partners, enable the creation of comprehensive solutions that drive substantial ROI improvements through their clients' existing supply chains.

With the strategic execution of the Kegspediter® System, clients are able to leverage the efficiencies available with a fully managed return process that is the result of the collaborative efforts of Satellite Logistics Group's dedicated logisticians, 94 breweries, 105 brands, 1215 distributors, 203 transportation partners and countless other associations designed to drive the efficient and cost effective return of empty keg assets to their source brewery.

#### Client A – Domestic Brewer

Client A is a rapidly growing regional domestic brewer, who has experienced rapid growth year on year.

#### Client B – North American Import Brewer

Client B is a North American import brewer, who has experienced strong regional success in the U.S. with a goal to expand into other U.S. regional markets. This client's supply chain solution includes border crossings and customs.

#### Client C – European Import Brewer

Client C is a leading European import brewer whose supply chain solution must factor in peak season demand and the added complexity of trans-oceanic shipping.

#### Client Challenge

All three clients were challenged to keep pace with market demand and production schedules, utilizing their existing keg inventories. A change in their reverse logistics supply chain allowed these brewers to avoid a large capital expenditure on additional kegs, translating into stronger ROI. Satellite Logistics Group, because of its network of clients and vendors, was able to offer each brewer a solution that created efficiencies in their supply chains.

#### Solution

The key to Kegspediter's success is collaboration. Managing so many brands, encompassing so many distributors, allows SLG to pick kegs up with greater frequency. By reducing the dwell time with the distributor, the brewery is able to benefit from a higher turn rate per keg using Kegspediter® than without. This also frees the distributors' valuable warehouse space.

Components of a comprehensive Keg Management Program:

- ◆ On-going knowledge of actual keg turn
- ◆ Comprehensive, fully managed process
- ◆ Broad industry collaboration
- ◆ Technology capabilities
- ◆ Proven industry experience and results

The calculation for keg turn measures the actual utilization rate of the brewer's *entire asset inventory* and should be an on-going efficiency KPI.

Many brewers mistakenly use throughput as their annual turn measure. This would be correct assuming *every keg* that has been put in the supply chain remains active in the return / fill process and none have been lost. Throughput data generally will give a brewer an *artificially high reading* on keg turns.

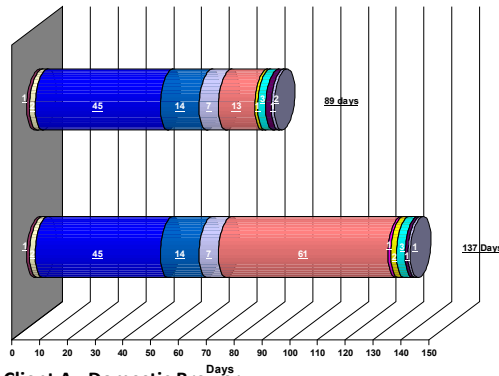
"Satellite Logistics Group provides us with reliable, instant information as to where our kegs are coming from (we have two importers in the US), and when the kegs are due to arrive. We have been working with them for years now and our kegs, which are transported back to the brewery by their Kegspediter® System, are coming back faster than from a lot of our German wholesalers."

-- Susanne Hecht, Export Manager  
Private Weissbierbrauerei Schneider,  
Kelheim, Germany

Brewers often use historic keg purchases as their total inventory factor in the turn equation. Again, this will only be accurate if all of the kegs purchased remain active in the return / fill process and none have been lost due to market conditions. As kegs become inactive and/or lost, this will generally give a brewer a progressively *artificial lower reading* on keg turns.

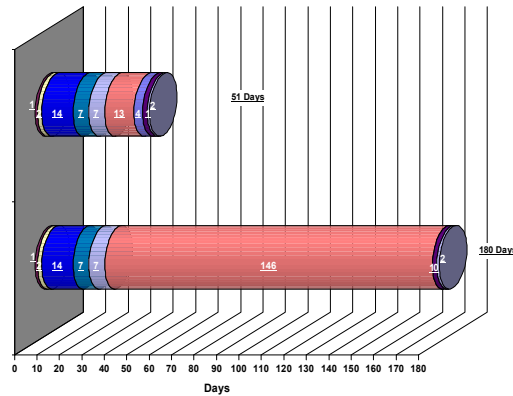
To assure a brewer is accurately measuring and tracking actual keg turns, there must be a process in place that periodically measures actual keg inventory. This *periodic census*, a service that SLG offers to its customers, will assure a brewer is accurately measuring turn rate, loss rate and has a variety of other valuable data points available to effectively manage their keg assets.

The breweries collaborate with SLG by providing production schedules. SLG's proprietary technology factors the production data, as well as historical trends, into a logarithm that enables them to predict when and where kegs need to be picked up. That technology also enables supply chain visibility, seamless communication, process monitoring and asset tracking.



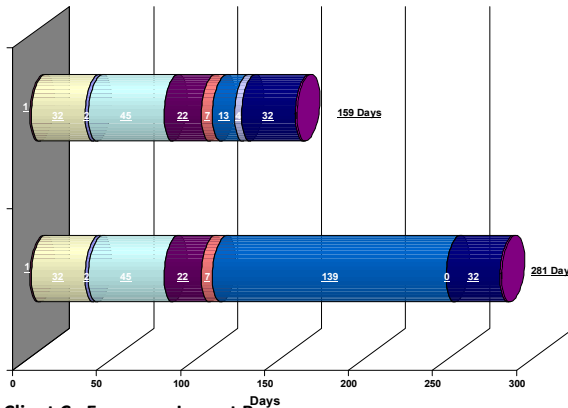
**Client A: Domestic Brewer**

The average number of days that a domestic keg dwells in the marketplace without Kegspediter® is 137 days. Using Kegspediter® that dropped to only 89 days – a 54% improvement.



**Client B: North American Import Brewer**

Enrolling in the Kegspediter® program brought Client B an even greater rate of improvement. Prior to Kegspediter®, the average cycle for an import keg was 180 days. With Kegspediter® in place, the cycle rate dropped to 51 days – reflecting 253% improvement.



**Client C: European Import Brewer**

Enrolling in the Kegspediter® program allowed this European brewer to improve the number of days to return a keg from 281 to 159. This reflects a 76% improvement.

Brewers are paying more attention to the “sustainability” of their assets. Even pallets are no longer considered throw-away expendables. Kegspediter® can be executed with kegs, pallets, dunnage and any other asset that requires efficient asset utilization.

### Recent Client Analysis – Kegspediter® Solution

	Domestic Brewer		North American Import Brewer		European Import Brewer	
	Without Kegspediter®	With Kegspediter®	Without Kegspediter®	With Kegspediter®	Without Kegspediter®	With Kegspediter®
<b>Annual Turns</b>	2.6	<b>3.9</b>	2.0	<b>7.1</b>	1.3	<b>2.3</b>
<b>Loss Rate (avg.)</b>	5%	<b>2.8%</b>	5%	<b>2.8%</b>	5%	<b>2.8%</b>
<b>Loss \$\$</b>	\$ 3,000,000	<b>\$ 1,600,000</b>	\$ 1,200,000	<b>\$ 387,000</b>	\$ 704,000	<b>\$ 394,000</b>
<b>Capital Expenditures</b>	\$ 11,600,000	<b>0</b>	\$ 2,600,000	<b>\$ 653,000</b>	\$ 8,000,000	<b>0</b>
<b>ROI Improvement</b>	0	<b>\$ 15,000,000</b>	0	<b>\$ 3,000,000</b>	0	<b>\$ 7,104,000</b>
<b>Distributor pickup frequency (avg.)</b>	6 /year	<b>28 / year</b>	2.5 / year	<b>28 / year</b>	2.5 / year	<b>28 / year</b>
<b>Deposit Credit Issuance (avg.)</b>	30 days	<b>10 days</b>	45 days	<b>10 days</b>	45 days	<b>10 days</b>

#### Financial Benefits:

- ◆ Receipt and Processing of credit requests
- ◆ Remit Deposit Notifications for Kegs Collected
- ◆ Verification of Keg Brands, Sizes, and Quantity
- ◆ Reduction in capital expenditures
- ◆ Reduction in administrative costs
- ◆ Reduction in Distributor floor space requirements

#### Loss Prevention:

- ◆ Maintenance of forecasted “book” inventory at the Distributor level
- ◆ Keg identification and count reconciliation
- ◆ Repatriation of “stray” kegs, regardless of brand

#### Keg Census and Survey:

- ◆ Data collected geared toward calculating kegs at the retail level
- ◆ Provides reprint which more closely pinpoints turn levels

In summary, Kegspediter® provides Brewers (domestic and international) as well as Distributors great benefits as a direct result of collaborative relationships. These benefits are realized throughout the reverse logistics supply chain. The value of the Kegspediter® program is best reflected when analyzing the entire balance sheet.

For more information:  
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