

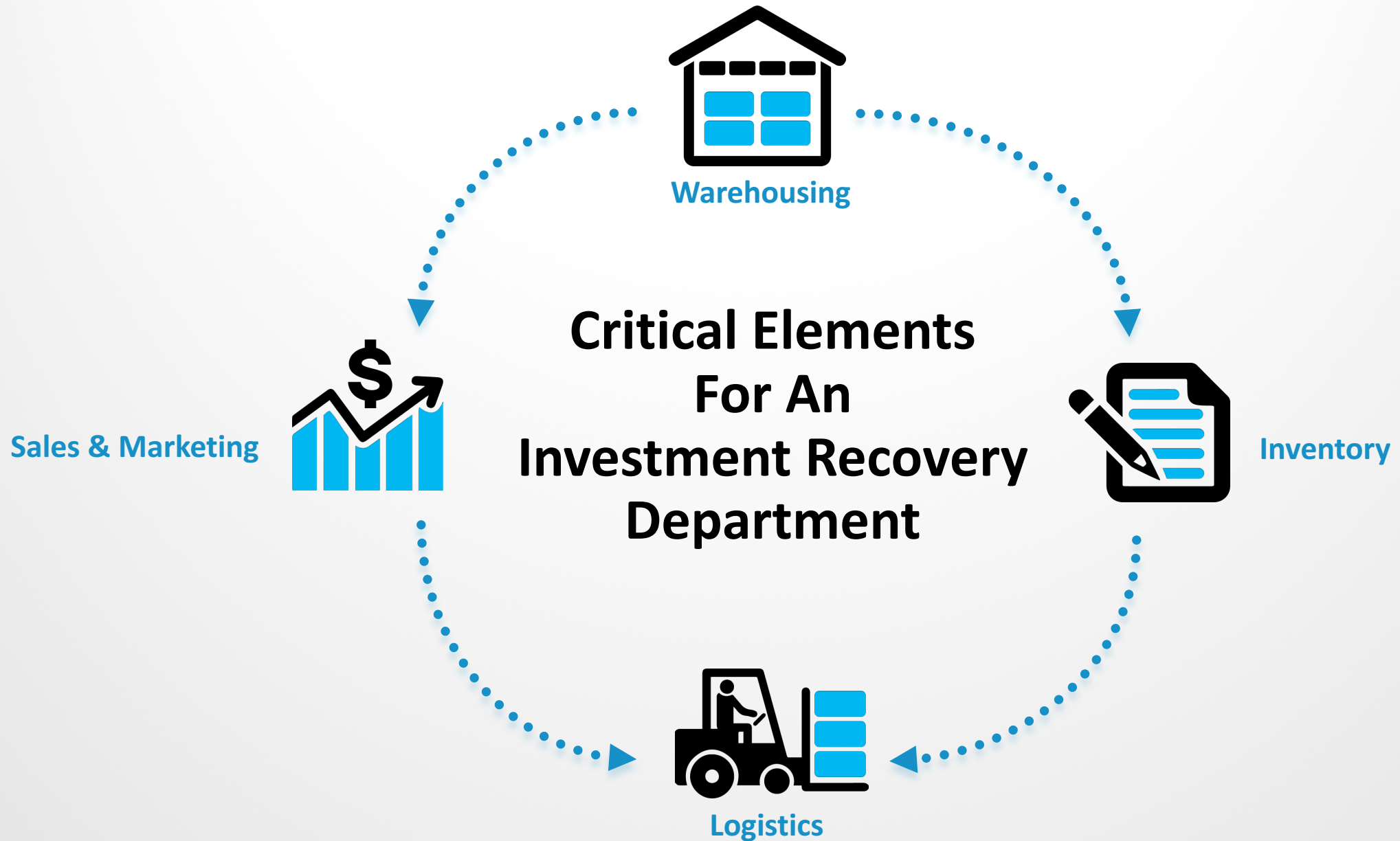
Warehousing / Inventory Logistics Sales & Marketing

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INVESTMENT RECOVERY ASSOCIATION

Promoting Professional Management of Surplus Assets





Warehousing

A defined location where inventory can be stored, managed, & recorded.

- IR inventory may or may not be in a formal warehouse
- May be in laydown areas (yard)
- May be equipment “in place”
- May be in 3rd party storage

Storage locations are determined based on several factors – cost, space availability, security requirements, accessibility.....





Warehousing

Considerations for Warehousing IR surplus assets

- Storage requirements to maintain best value of surplus assets
- Do the surplus assets need any form of maintenance?
- Staffing requirements (if any)
- Record keeping of IR surplus assets
- Transportation requirements for movement (forklift vs crane)
- Space required vs space available
- Security requirements (fencing / alarms / safety)





Inventory

Limit handling of surplus assets

- Handling surplus adds cost, risk of damage.
 - ▶ Keep “in place” if cost of movement or risk of movement is high
 - ▶ Only move when necessary to where necessary
- Consolidate “like” items where possible
 - ▶ Can sell in lots
 - ▶ Easier for shipping / delivery
 - ▶ Easier to record / manage





Inventory

Record keeping

- Maintain a record of locations for surplus assets
 - Description
 - Quantity
 - Tag #
 - Location
 - Serial # / VIN #
 - Asset # (Sub ledger)
 - Photos
 - Vintage
 - Condition
 - ▷ Cleaned vessel
 - ▷ Certification status





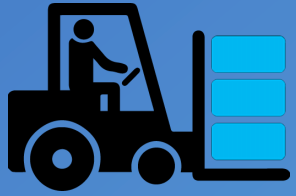
Inventory

Inventory Preparation

- Clean / Prepare
 - Remove and/or identify hazardous properties
 - PCB's (oils), Asbestos, Lead, Process fluids.....
 - Documentation
 - Certifications (i.e., : Pressure Vessels)
 - Drawings
 - Specifications
 - Maintenance records

Without proper documentation, valuable assets can be reduced to scrap value



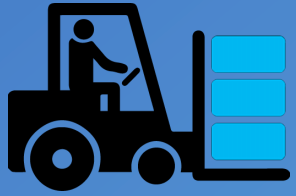


Logistics

Logistics is the movement and transportation of the (goods) surplus asset.

- Who should be responsible to transport the goods?
- Who should be responsible to load goods for transport?
- How does logistics risk impact sale price of goods?
- What terms are applicable for logistics?
- What risk are associated with different terms?



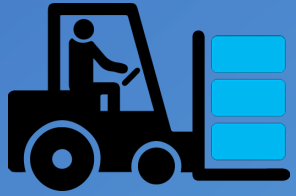


Logistics

Transportation of goods – who's responsible?

- Most surplus asset sales are “cash sale” and “as is / where is” transactions without warranty
- Reduce risk to seller of transportation (damage / schedule)
- Buyer would consider transportation / logistics into purchase price
- Risk transfers to buyer from point of sale
- The sales agreement should identify responsibility





Logistics

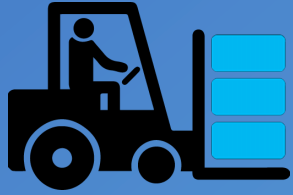
Transportation of goods – risk management

- Manage risk where it makes economic and business sense



Because accidents happen!



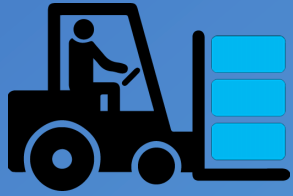


Logistics

Packaging and loading of materials

- Should be determined as part of the Sales Agreement
- Special packaging may be required (needs to be considered)
- Cost of packaging (if applicable) may impact sales value
- Loading may be done by seller/transporting by Buyer
 - Utilizing available seller equipment
(reduce cost/increase price)
 - Safety issues on seller site
(using site certified processes)
 - Seller is removed of responsibility at point of sale





Logistics

Shipping terms

- UCC terms (Uniform Commercial Code)
 - ▶ Developed for the US domestic commerce
 - ▶ Have been used outside of US (IE: Canada / Mexico)
 - ▶ Not used outside North America
- INCO terms 2010 (International Commercial Terms)
 - ▶ Widely used outside of US and for international trade
 - ▶ Europe use for domestic and international use
 - ▶ Used by Canadian multinationals
 - ▶ US starting to adopt these terms over UCC terms



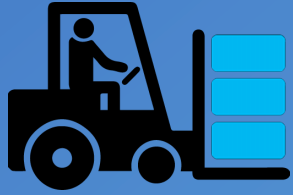


Logistics

UCC Shipping terms

Terms	Payment of Initial Freight Charge	Bears Final Freight Cost	Owens Goods in Transit	Files Claims, if any
FOB Destination, Freight Prepaid (Allowed)	Seller	Seller	Seller	Seller
FOB Destination, Freight Collect	Buyer	Buyer	Seller	Seller
FOB Destination, Freight Prepaid and Added (Charged back to Buyer on invoice)	Seller	Buyer	Seller	Seller
FOB Shipping Point, Freight Prepaid (Allowed)	Seller	Seller	Buyer	Buyer
FOB Shipping Point, Freight Collect	Buyer	Buyer	Buyer	Buyer
FOB Shipping Point, Freight Prepaid and Added (Charged back to Buyer on invoice)	Seller	Buyer	Buyer	Buyer





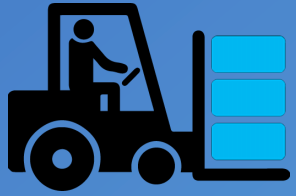
Logistics

UCC terms

- FOB Origin (Shipping point)
 - ▶ Buyer pays freight
 - ▶ Buyer takes “title” at origin
 - ▶ Buyer addresses any claims (if required)
 - ▶ Most common model for surplus sales

These are favorable to the Seller where risk and cost are on the Buyer Supports the concept of “AS IS WHERE IS”





Logistics

UCC terms

- FOB Destination
 - ▶ Seller pays freight
 - ▶ Buyer takes “title” at destination
 - ▶ Seller addresses any claims (if required)
 - ▶ Seller takes risk of transportation

These are favorable to the Buyer where risk and cost are on the Seller





Logistics

INCOTERMS

Incoterm 2010	Export customs declaration	Carriage to port of export	Unloading of truck in port of export	Loading on vessel in port of export	Carriage (Sea/Air) to port of import	Insurance	Unloading in port of import	Loading on truck in port of import	Carriage to place of destination	Import customs clearance	Import taxes
EXW	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
FCA	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
FAS	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
FOB	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
CPT	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
CFR (CNF)	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
CIF	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer
CIP	Seller	Seller	Seller	Seller	Seller	Seller	Buyer/Seller	Buyer/Seller	Buyer	Buyer	Buyer
DAT	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer
DAP	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer
DDP	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller/Not including VAT/FAT





Sales & Marketing

Internal Marketing

- Both clients and customers
 - Selling for internal clients and to internal customers
 - Multi site transfers / transactions
 - Can be a critical success factor for the IR department
- Sponsors & Internal program support
 - Big part of “internal marketing”
 - Senior leadership sponsor knowing the value of the IR Program
 - Reporting output / results to maintain program support

Internal Marketing is about selling the IR Program as much as it is about selling the surplus Product.





Sales & Marketing

Demonstrating IR Value

- Housecleaning tour
 - ▶ Opportunity to share ideas at the site level to save or make money
 - ▶ Develop local support for IR programs
 - ▶ Can build an “inventory” of potential surplus at sites
 - ▶ Remember, you are on their turf- be respectful of this fact.
 - ▶ Make a site “Point of contact” for future activities
- Internal communications
 - ▶ PR campaign to focus on success with internal clients
 - ▶ Advertising internally surplus for reuse brings the greatest value
 - ▶ Use corporate relations/publications get the IR message out...





Sales & Marketing

External Marketing

- “Push” Marketing
 - ▶ Directed towards “Dealers & Brokers” (distribution channels)
 - ▶ Emphasizes the profits distributors can make re-selling the product
 - ▶ Increases the market players but may not maximize IR revenue
- “Pull” Marketing
 - ▶ Targets the “End User”
 - ▶ Identifies the benefit of using the asset
 - ▶ Can produce higher revenues / profits for IR





Sales & Marketing

Business to Business and Consumer Marketing

- Business to Business
 - ▶ Buy for re-sale and profit generation
 - ▶ May refurbish / repair to maximize profit
 - ▶ Sophisticated buyers, know how to do “deals”
 - ▶ More likely to negotiate “terms” as well as price
- Consumer
 - ▶ Buying to use product
 - ▶ Buying for own use
 - ▶ Likely less sophisticated, doesn’t “deal” for a living
 - ▶ May not be completely aware of “terms”





Sales & Marketing

Four P's of Marketing

1. Product

- ▶ For IR, the surplus products mix can be huge
- ▶ Use technical experts to help describe the product
 - ▷ Condition
 - ▷ Description
 - ▷ Spare parts
 - ▷ Documentation
 - ▷ application
- ▶ Learn the markets for the product, not all products go through the same markets





Sales & Marketing

Four P's of Marketing

2. Place

- ▶ Where is the largest buyer market – proximity to the “Product” location
- ▶ How difficult is it to access the location of the surplus products
- ▶ Does the value of the surplus “product” limit the market interest





Sales & Marketing

Four P's of Marketing

3. Price

- How to best assess the value of the surplus “Product”
 - Replacement cost new
 - Useful for internal redeployment decisions
 - Fair Market Value
 - What a willing Seller & Buyer believe is a fair price
 - Very common approach for many surplus sales
 - Net Book Value
 - The current value on the “Books”
 - Important for internal reporting purposes, or possibly setting a floor price.
 - Scrap Value
 - When the product has no functional value





Sales & Marketing

Four P's of Marketing

4. Promotion

- ▶ Internal promotion generates awareness
- ▶ Advertising most common method to promote externally





Sales & Marketing

The Other 3 P's of Marketing

1. People

- Build relationships and networks
- Strong relationships are good for business

2. Politics

- Ensure you understand and comply with all laws and Regulations

3. Public Opinion

- Be aware and sensitive to what you are selling and the impact to your business within the community.

Our policy for selling Cars or Trucks "If it is not safe enough for you kids to drive in, sell it for scrap or spare parts only."



Contact Information

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