

Resin prices vary a lot more than you think! RTi helps you understand why..

January 25, 2018 | Robert Handfield, Ph.D. (<https://scm.ncsu.edu/scm-articles/article/author/handfield>)

I had a great opportunity to meet with CEO Pete Suerken from Resin Technologies Inc. (<http://www.rti-global.com/>)(RTi), yesterday, and share thoughts on how should-cost models are being actively used to drive improved visibility into the true costs of resin, paper packaging, and related products. RTi, based out of Forth Worth, TX, is working with NC State's Supply Chain Resource Cooperative, attracted by our strong program in procurement and supply chain, the focus on analytical thinking and modeling, and the mix of engineering and business students who work on projects with our industry partners.

Resin is the most critical cost component in the processors business – ranging from 45 to 85% of the total cost of business. Resin is found in just about anything you buy today: plastic trinkets, food packaging, meat packaging, toys, industrial products, you name it. And keeping track of prices in this market is more complicated than you think. RTi bring together an analytical network that spans the globe and 20 billion pounds of transactional benchmarks, which gives them the ability to bring knowledge and transparency to clients and a clear vision regarding the resin markets. Most of their staff are familiar not only with the prices of resin, but know all of the different types of equipment, the run rates, the labor costs, transportation costs, overhead rates, and typical profit margins for pretty much everyone in the industry. They are resin gurus, but also expanded into paper packaging and have developed strong capabilities in this area as well.

But RTi is growing. And that means they need people. Pete shared with me that “we need to bring in young people who have an interest in procurement, because most of the information we develop is used in procurement negotiations. The objective here is not to cut the supplier's

margins, but to identify the true cost of the packaging and raw materials, and find ways to allow the supplier to make a fair margin at the right price. Our engineers can generate some incredible cost models that pull in data from multiple sources, but we also need people who can work with our clients, to help them think through how should-cost models can be integrated into the supplier relationship model that results.”

RTi’s should-cost models (<http://www.rtiglobal.com/resin-2/resin-consultation/>) are incredibly accurate. This is because of the experience of its engineers, but also due to the massive amount of data available to its analysts. Most purchasers are satisfied if during contract negotiations their suppliers show them that they are paying resin prices that are stable, at current commodity exchange rates. However, the reality is that prices are continually in flux. While oil prices drive much of the changes, bottlenecks in the feedstock supply process, as well as imbalances in supply and demand are constantly changing the resin landscape. Processors do not have the time or networks to gather essential information needed in order to make the best decisions possible every time a purchase is executed. RTi resin experts dedicate 100% of their time to analyzing critical market drivers from the well head through the manufactured finished product using our vast network. Market drivers such as feedstocks, exports, pricing benchmarks, supplier actions, producer inventory levels and operating rates all have an impact on the price of resin.

Although resin prices in North America are reacting to global pressure and have fallen rapidly each processor should ask:

- > What should our current buying strategy be in today’s market?
- > What should I know about the resins I consume over the next quarter?
- > What drivers are in place that can move the resin one direction or the other short term?
- > What are the key drivers that impact resin domestically as well as globally?
- > Where and when will resin pricing hit bottom?

These are questions that every good supply management professional should be asking. But the answers are not always clear. Faculty and students at NC State look forward to working with RTi in exploring how to address these questions and integrate them into the sourcing process in the near future.

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