

The Top Fourteen REAL Packaging Costs

1. **Corrugated Container Costs** - the cost of design and selection of a properly sized and specified cardboard box. (dollars per container)
2. **Protective Packaging Material Costs** – the cost of design and selection of the void-filling material required to provide adequate protection to transport your product safely to your customer.
3. **Protective Packaging Material Labor Cost** – the cost of direct labor wages associated with the particular selected protective void-fill material.
4. **Overhead Cost** – those fixed costs divided among each employee associated with the shipping process(monthly benefits/health insurance/vacation time...etc, usually 20%) Hazmat expenses if using chemical foams.
5. **Return Cost** – the additional labor and material costs plus overhead costs associated with receiving, inspecting, evaluating and responding (phone calling and letter writing) to both the customer and shipping carrier(and/or insurer) when an item is returned because of damage due to inadequate protective packaging
6. **Replacement Cost** – the cost in labor, materials plus overhead to replace the damaged item with a new more expensive item(usually double the cost) plus the additional shipping and handling costs.
7. **Shipping Cost** – the cost of shipping an item using a carrier (ExpandOS allows you to use conventional shippers like UPS and FEDEX usually 30% less expensive)
8. **Repair Cost** – the costs in labor, material(extra parts), postage plus overhead to evaluate and refurbish a product damaged during transport.
9. **Discard Cost** – the cost in labor and fees required to dispose of non-repairable products damaged during transport.
10. **Insurance Cost** – the premium paid on each and every item shipped when using an inferior protective packaging material that has a history of unacceptable damage(1 out of 2500 items shipped)
11. **Opportunity Cost** – the intangible cost of doing non-revenue generating activity due to the unnecessary damage issues when using an inferior protective packaging material.
12. **Inventory Cost** – both the space, labor and material cost associated with the storage and replenishment of protective packaging materials.
13. **Customer Retention Cost** – the cost per dollar spent per each buying customer divided by the marketing budget allotted to secure each of those customers...when after they receive a damaged item from you and they decide not purchase from you again.
14. **Buffer Inventory Cost** – the cost associated in both labor and materials to inventory excess items that have such high damage occurrences from inadequate protective packaging.

Note: 6% of product wholesale cost is acceptable on internal packaging(MSU Packaging School Survey)