

# Enhancing quality to build brand loyalty and increase profitability

Eastman Tritan™ copolyester for small appliance components

**Staying competitive in today's marketplace requires that you examine one simple question: What do your customers want in a 21st century counter-top appliance?**

If the answer includes convenience, quality, and stylish design—your user profile describes today's busy, high-end consumer who has discriminating taste and high expectations for product performance. Thanks to Food Network and celebrity cooking shows, the bar is raised for home chefs.

In Eastman's ongoing discussions with small appliance brand managers, feedback tells us that "quality-made" is a key factor influencing buying decisions for kitchen aids such as juicers, blenders, food processors, and grinders.

What defines the various aspects of quality? In addition to reliability and durability, consumers want a contemporary, sustainable design that will look good for years to come. In short, they want worry-free products that are safe and easy to use.

## Dovetailing

Product quality forms the base of the pyramid that allows other important marketing and sales tactics to effectively build brand image.

With a first-rate product, you have a clear advantage in dredging new market channels and keeping them open. But the challenges that brand owners face related to product positioning and building brand loyalty are ongoing—from developing retailer relationships and obtaining high-profile retail shelf space to managing costs of product returns and cash flow.

Conversely, poor product quality leads to higher return rates which can cause a domino effect in losing shelf space, deteriorating retailer and consumer relationships, and dwindling cash flow.

## Pitfalls

Marketing research shows that product return rates typically range from 2% to 10% and can be as high as 15% on lower quality items. Brands are required to carry 3% to 8% (in some cases, as much as 20%) reserves on hand due to product returns. For some brands, budgeting for high reserve rates as a normal expense is part of doing business. It is also a misguided cost of doing business—to have essential working capital tied up due to poor product quality.

Consider the hypothetical examples in Table 1. In Example 1, one million small appliances are sold at \$50/unit. Using a conservative estimate of 5% reserves (typically between 3%–8%, as high as 20%) required by retailers, the business will have \$2.5M of unproductive working capital. Cost of capital is assumed at 10% on \$2.5M, amounting to \$0.25M. Assuming a 3% product return rate on \$50M in sales means a \$1.5M revenue loss to the brand owner. Adding \$0.25M to \$1.5M equates to a total loss of \$1.75M related to product returns.

It's important to note that some retailers require brands to reimburse them for product returns at the retail unit price, rather than the cost for which they buy the unit from the brand.

Example 2 changes the unit price to \$200, lowers the reserve rate to 3%, and assumes a return rate of 2%. The total impact of the cost of capital for the reserve and product returns brings the brand owner's cost to \$4.6M.

How does this compare to your brand?

**Table 1**

Financial model	Example 1	Example 2
Small appliance units sold (Millions)	1.0	1.0
Unit price (\$/unit)	50.00	200.00
<b>Sales (\$M)</b>	<b>50.0</b>	<b>200.0</b>
Reserve rate—required by retailer	5%	3%
<b>Total reserve required (\$M)</b>	<b>2.5</b>	<b>6.0</b>
Cost of capital	10%	10%
<b>Total cost of capital (\$M)</b>	<b>0.25</b>	<b>0.60</b>
Product return rate	3%	2%
<b>Total cost of product returns (\$M)</b>	<b>1.5</b>	<b>4.0</b>
<b>Total lost working capital + revenue (\$M)</b>	<b>1.75</b>	<b>4.60</b>

These examples do not account for the impact on brand equity due to customer dissatisfaction, potential effects of negative social media postings, or loss of repeat buyers and shelf space.

## Brand business

Selling the product is only half the game; keeping the product sold and growing market share are important components of good brand strategy. With investment and resources committed to developing, marketing, and selling products, it is highly undesirable to have products already sold coming back like a boomerang, requiring time and more resources to manage returns, respond to complaints, and restore brand image. If you are looking to avoid this sort of backpedaling, your resources could be better utilized by improving product quality.

Consider making a simple change in materials and manufacturing that would:

- 1) Enhance product quality
- 2) Reduce product return rates
- 3) Allow for lower negotiated reserves with retailers
- 4) Open opportunities to build brand image and increase profitability

The effective cash and resources saved by lower reserves and fewer product returns could be redeployed toward product development and future company growth.

## The Tritan difference

Eastman Tritan™ copolyester creates a new standard for small appliance applications with a unique balance of clarity, toughness, and chemical resistance in a material that is BPA free and safe for food contact. It builds on the attributes and versatility of heritage copolyesters to deliver greater design potential and easier processability for small appliance components.

Tritan's unsurpassed impact resistance and dishwasher durability reduce breakage, crazing, and discoloration—resulting in significantly fewer product returns.

**Eastman Tritan has enabled major small appliance companies to reduce their product return rate from 10% to nearly zero.**

Enhanced quality and low returns translate to more favorable negotiated retailer reserve rates. In addition, fewer returns lead to satisfied retailers and consumers who become repeat buyers and brand advocates.

In Table 2, comparing to the previous Example 1 with \$50M in appliance sales—we now assume a product return rate of only 0.5% with products made of Tritan copolyester and a negotiated reserve rate of 2%. The total reserve required would be \$1M. The equivalent cost of capital at \$0.1M added to the cost of product returns of \$0.25M would reduce total lost working capital and lost revenue to \$0.35M, compared to \$1.75M for Example 1. This represents \$1.4M in savings to you by switching to Tritan copolyester.

**Table 2**

Financial model	Example 1	Tritan
Small appliance units sold (Millions)	1.0	1.0
Unit price (\$/unit)	50.00	50.00
Sales (\$M)	50.0	50.0
Reserve rate—required by retailer	5%	2%
<b>Total reserve required (\$M)</b>	<b>2.5</b>	<b>1.0</b>
Cost of capital	10%	10%
<b>Total cost of capital (\$M)</b>	<b>0.25</b>	<b>0.10</b>
Product return rate	3%	0.5%
<b>Total cost of product returns (\$M)</b>	<b>1.5</b>	<b>0.25</b>
<b>Total lost working capital + revenue (\$M)</b>	<b>1.75</b>	<b>0.35</b>

## To compare

With its unmatched balance of properties, Eastman Tritan™ copolyester has successfully replaced polycarbonate (PC) in many small appliance applications. Now, Tritan is also making a big difference in small appliance applications where the combination of toughness, durability, and design flexibility provides clear advantages over glass and styrene acrylonitrile (SAN). Here are a few of the advantages over competitive materials:

### *The go-to alternative to PC*

- Comparable impact strength and clarity
- Significantly greater dishwasher durability
- Freedom from concerns related to bisphenol A (BPA)
- Processing advantages that can save time and energy

### *Weigh the advantages over glass*

- Greater toughness and shatter resistance
- Resistance to thermal shock
- Eliminate in-store and in-use breakage issues
- More innovative and intricate shapes and patterns
- Ease of tinting—allows more vibrant color options
- Undercuts not possible with glass processing
- Greater decoration durability
- No separate annealing step required—saves time and energy
- Sustainability advantages from lower density; less packaging required and less energy used in shipping

### *High-value advantages over SAN*

- Greater lasting impression of quality and clarity
- Greater impact strength
- Greater product durability
- Significantly greater dishwasher durability
- “Softer” feel and less “tinny” acoustics
- Freedom to design thicker features, undercuts, and other options
- Sustainability advantages from less packaging required

## Bottom line

Since Eastman Tritan™ copolyester launched in 2007, more than 600 food contact products have been made with the material. In addition to small appliances, these products include serving and storing items, reusable sports bottles, and baby bottles.

A carafe or appliance component made with Tritan will not cloud, craze, or crack. The crystal clarity is the same from day one through years of use.

Tritan is BPA free and safe for use with food, answering growing concerns over product safety among today’s consumers.

Easy handling and dishwasher durability save time and make busy consumers happy.

Customer satisfaction and fewer product returns mean—you reduce costs, improve cashflow, and advance your brand.

One success builds on another to develop the brand loyalty you want.



The results of insight™

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