

Rexel



Over five years, it is estimated the return on investment for the Rexel investment in the automatic shrink wrapping machines is \$1.82 of benefit for every \$1 of cost.

Background

Rexel is a supplier of electrical products to electricians and members of the public across Queensland that has invested in two automatic shrink wrapping machines, used to wrap stock on pallets to ship to customers.

Benefits

By investing in the automatic shrink wrapping machines, Rexel has:

- substantially reduced the risk of musculoskeletal disorders (MSDs) by 66 per cent and other injuries by eliminating awkward postures and forceful exertions needed to manually shrink wrap pallets
- increased efficiency for the task by 80 per cent. The automatic shrink wrapping device takes approximately one minute to wrap pallets of various types. Previously, if the pallet contained mixed products, it could take approximately five minutes to shrink wrap the pallet
- saved in supervision time and improved security of products in the pallet through greater continuity and uniformity of wrapping.

Costs

The two automatic shrink wrapping machines purchased for the Tingalpa distribution centre had a total upfront cost of \$15,000 compared with an upfront cost of \$100 for two manual shrink wrapping devices.

Return on investment

Over a five year period, the investment made by Rexel is estimated to provide a return on investment of around \$1.82 of benefits for every \$1 of expenditure.

The payback period for the upfront costs was around $2\frac{3}{4}$ years.

Item	Value	Calculation details
Benefits (annual)		
Efficiency gains in shrink wrapping pallets	\$5,432	Assumptions: <ul style="list-style-type: none"> • 2,300 pallets wrapped per year (10 pallets wrapped per day, for 230 workdays) • saving of four minutes per pallet wrapped • warehouse worker hourly labour cost (including on costs) of \$35.40 (industry average).
Return on investment		
\$ of benefits per \$1 of costs over five years	\$1.82	
Payback period for upfront costs	2¾ years	

Source: Adept Economics, 2015.

Note: this is a high-level analysis and should not be relied upon in making any future business decisions. Proponents are strongly urged to make their own estimates and decisions based on their individual business modelling.