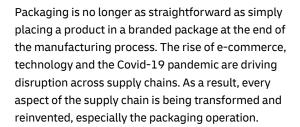SUPPLY CHAIN INSIGHTS

FIVE BENEFITS A 3PL CAN BRING TO A PACKAGING OPERATION

Turning packaging operations over to a 3PL allows companies to focus on the core business of production and manufacturing.

DHL Supply Chain – Excellence. Simply delivered.

Packaging is no longer as straightforward as simply placing a product in a branded package at the end of the manufacturing process. The rise of e-commerce, technology and the Covid-19 pandemic are driving disruption across supply chains. As a result, every aspect of the supply chain is being transformed and reinvented, especially the packaging operation.

It is within this context that companies must make a very important decision: to keep their packaging operations in-house or to use a 3PL (third-party logistics provider). Packaging is driven by changing consumer demands and expectations, as well as supply chain efficiency initiatives. These drivers are carving out a crucial need for reliable partners to power up packaging operations that drive outstanding customer experience.

These are five primary benefits 3PLs can bring to packaging operations to help customers evolve their logistics strategies:

1.   Integrated Packaging Facilities
While supply chains are scrambling to keep up with customer demands and expectations, they must not lose focus on their underlying goals: reducing costs and increasing efficiencies. One way to achieve this is to reduce the number of touchpoints and travel distance throughout the packaging process. 3PL facilities are being designed and configured to integrate packaging operations into distribution centers. Not only can this reduce freight costs, but it can also provide more control over products, facilitate more efficient use of resources, and significantly reduce environmental footprint (less transport, less packaging, less waste).

Companies can also leverage on 3PLs investments in digitalization and automation technologies at these facilities. Technology enhancements like robotics and end-to-end visibility platforms can enable faster speed and increased flexibility to handle greater diversity of products while maintaining cost efficiency and minimizing downtimes.

2.   Customization Enabled
A one-size-fits-all approach to packaging is no longer viable. 3PLs are set up to effectively implement and manage a packaging operation that enables products to be modified and customized at the final stages before transport to customers. Many companies are under pressure to explore new packaging assortments, special sizes and configurations, and other product customization to support in-store promotions and brand differentiation on the shelf.

Postponement and customization strategies allow companies to more cost-effectively make decisions and adjustments at the very end of the supply chain. This is ideal for the production of popular, high-value promotions that allow retailers to design their own products and packs. It is also vital to incorporating any last minute changes, reconfigurations or personalization that come in as the product is being stored and prepared to ship.

3.   Highly Scalable Supply Chain
3PLs can help companies gain more control, consistency, and predictability with packaging while offering the flexibility needed to quickly react to changing demands. 3PLs leverage their labor management and packaging capabilities to handle sharp seasonal peaks and fluctuations, the launch or expansion of new product lines, and the addition of new markets and geographic locations capitalizing on quickly evolving market trends or opportunities. Flexibility in the packaging supply chain ensures companies can maintain a competitive edge in the marketplace.

The rise of e-commerce and SKU proliferations have added a significant impact on packaging operations and the need for scalability. One report show 45% of CPG manufacturers surveyed see enough current and future e-commerce business to warrant a separate line dedicated to producing, packaging, and shipping products exclusively for online channels.[1] Leveraging on 3PLs capabilities and expertise in this area can provide significant efficiencies and advantages to the overall process.

4. End to End Packaging Solutions
Product packaging has always been an integral part of the customer experience and with the rise of online shopping, packaging design is a critical component for companies to delight or frustrate customers. 3PLs are expanding service offerings to include the design, demand planning, sourcing, and procurement of packaging materials to connect upstream activities with downstream operations.

3PLs can identify extended capabilities in packaging, including shelf-ready packaging, multi and variety packs, sustainable materials, and e-commerce and direct-to-consumer requirements. They can also identify opportunities at the beginning of the supply chain to drive labor, production, and cost efficiencies through distribution by leveraging downstream knowledge throughout the upstream packaging process.

5. Sustainability
With consumer demand shifting towards more sustainable products, companies are rethinking their packaging approach. One McKinsey report shows an overwhelming majority of consumers surveyed willing to pay more for sustainable packaging across end-use areas.[2] This poses a new challenge for companies: deliver sustainable packaging while balancing performance, cost and other convenience requirements crucial to the customer experience.

Companies can leverage 3PLs expertise and capabilities to drive sustainability in packaging operations with a wide range of approaches, from eliminating unnecessary packaging and the use of recyclable material, to longer term packaging design initiatives geared towards a circular economy. 3PLs can also enable companies gain competitive advantage with sustainable fresh chain and reverse logistics.

In today's environment where disruption is occurring at an accelerated pace across all industries, the pressure is on supply chain companies to continually innovate to stay competitive. Turning packaging operations over to a 3PL can provide greater control, efficiencies, flexibility, and innovation while allowing companies to focus on core aspects of their business, such as production and manufacturing.

[1] Secondary Packaging Trends 2020 – PMMI

[2] https://www.mckinsey.com/industries/paper-forest-products-and-packaging/our-insights/sustainability-in-packaging-inside-the-minds-of-global-consumers