



SUPPLY CHAIN INSIGHTS

IT'S ALWAYS PEAK SEASON SOMEWHERE

New consumer behaviors, the rise of sustainability and supply chain disruptions from the past two years have reshaped packaging operations to deliver value better and faster – particularly when managing peaks and troughs of demand. What have we learned from these past peak seasons and how can these lessons help packaging operations succeed into the future?

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Nobody thinks about Christmas in July, but for some packaging operations jingle bells are ringing all around. Alongside the traditional logistics peak season, packaging operations have always dealt with their own peaks in demand, which already required a balancing act to ensure smooth operations. Adding the disruptions of the past two years, businesses across industries felt additional pressure to maintain agile and competitive packaging operations during fluctuating and volatile peaks in demand. But with challenges also come opportunities and the lessons learned will pave the way for successful packaging operations in the future.

Market dynamics driving change

The Covid-19 pandemic, trade wars, and Brexit were some of the catalysts of the greatest supply chain disruptions in recent history. The pandemic, for instance, accelerated the spectacular rise of e-commerce, and with consumer in-store purchasing decisions disappearing, businesses needed to find new strategies to capture consumer attention online. This new reality was more evident during the end of year peak season. One report showed that 60% of consumers preferred to shop online rather than in a physical store during the holiday season.¹ Even with some of the pandemic restrictions lifted and store footfall resumed, the share of online in overall retail sales continues to grow. And with that growth come new packaging requirements. E-commerce packaging needs to work twice as hard to ensure an outstanding customer experience. One survey showed 50% of online shoppers would not consider reordering from a vendor if they received a damaged product.² For many businesses this mean making

significant investments to optimize packaging operations, in some cases including dedicated e-commerce and direct-to-consumer (DTC) lines.

And then there's the sustainability challenge. Logistics operations associated to peak season demand generate a critical environmental impact and consumers are taking notice. Sustainability – encompassing both environmental and social responsibility – is starting to rank higher in importance when it comes to purchasing decisions, alongside convenience and price. 60% of consumers are buying more sustainable or ethical products than they were before the pandemic, and most say they will continue to do so.³ This sentiment is accelerating the implementation of sustainability initiatives in packaging. One survey shows 80% of consumer package goods (CPG) businesses are investing in initiatives to reduce plastic and waste, 83% in designing recyclable packaging and 56% in redesigning packaging using more sustainable materials.⁴ Other initiatives, including reusable packaging are also rapidly growing.

With these evolving market dynamics and an economic climate that continuously challenges supply chains, how can packaging operations stay ahead of the game during demand peaks and troughs?

1. Robust and reliable, but highly flexible

It may sound contradictory, but this is the new normal for packaging operations. Businesses who want to succeed with their packaging outcomes need standard operating procedures, a competent workforce and reliable technologies. But they also need to flex operations when

¹ 2020 Deloitte Holiday Retail Survey – Reimagining Traditions

² Rethinking Packaging – DHL

³ Vision Towards a Responsible Future of Consumption: Collaborative action framework for consumer industries

⁴ 2020 Secondary Packaging Trends – PMMI

needed, whether it's postponing packaging decisions until the last minute or distribute production runs in smaller batches over a longer period of time. The crucial elements of a packaging operation – workforce, technology and operating standards – need to act like interlocking bricks that assemble and disassemble based on requirements and do so fast.

One way businesses run these agile packaging operations is to work with contract packagers. These partnerships can help run efficient and cost-effective operations as well as enhance upstream processes such as packaging design and materials procurement. When working with 3PLs, logistics services can also be a part of an integrated packaging solution that maximizes value.

2. Human-machine collaboration is the future

Because of their seasonal nature, packaging operations have always relied on a flexible workforce. The past two years have created major workforce constraints around health and safety of operations, which together with the ongoing labor shortages across many industries required new resource planning strategies to cater to peak season. This is one of the many drivers for 84% of CPG businesses planning to increase investment in packaging equipment in 2020 – 2021,⁵ in particular robotics and automation. End-of-line packaging automation, collaborative robots and unloading process automation are all making great productivity strides during peak season and helping overcome the constraints of labor shortages.

These technologies are not however, the end of humans in packaging lines, but rather the enhancers of workplace productivity and engagement. They could even hold the key to attracting and retaining the best

talent. DHL's Global Workforce Survey showed 9 in 10 logistics workers believe technology has been helpful to their role in the past 5 years and feel positive it will continue to improve it in the next 10.⁶ Upskilling the workforce will play a crucial role in this new era of human-machine collaboration and empower the complete hierarchy of packaging operation workers to deliver top-of-the line solutions and optimization.

3. Respond, predict and anticipate

Information technologies are also making great strides in supporting successful packaging operations, whether for resource and capacity planning or even forecasting. Businesses often rely on master SKU and historical data to create accurate forecasting. But if there's a critical lesson from the past two years of supply chain disruptions is that for the packaging operations of the future: what "was" will not be the only dimension of data require to respond to what "will be." Therefore the packaging operation of the future will have to rely on information technologies that manage more complex data sets to more accurately predict and respond to peaks and troughs.

Information technologies with complex algorithms and state-of-the-art analytics are essential, but that is not enough. Access to the best packaging expertise can add another layer of operational competence for businesses to rapidly respond to other market dynamics, for example, regulatory changes. Contract packagers and 3PLs large global footprints can enable businesses to anticipate to some of these regulatory changes and adapt operations accordingly. More importantly, they can provide the scalability to roll out these changes where applicable.



⁵ Packaging & Processing – Coming Through COVID-19 – PMMI

⁶ Global Workforce Survey 2021 – DHL