

Packaging: Fast Way To Improve Customer Satisfaction and Reduce Cost of Fulfillment

Take this opportunity to rethink your packaging methods to improve competitiveness.

by Paul B. Hogan

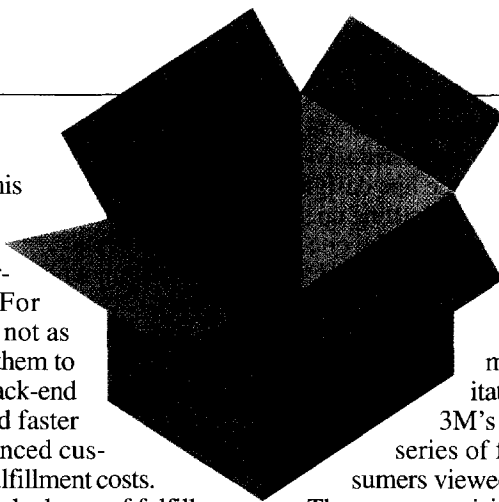
E-tailers who were ready for this past year's deluge of holiday orders are reaping the rewards of well-thought-out order fulfillment processes. For those e-businesses that were not as prepared, now is the time for them to rethink and re-engineer their back-end operations with an eye toward faster delivery, fewer returns, enhanced customer satisfaction and lower fulfillment costs.

The most commonly overlooked area of fulfillment is the packaging operation. Many e-commerce companies have reported significant difficulties associated with packaging. In fact, according to AMR Research, less than 62 percent of all Internet orders were shipped using best practices. The problems include high costs of labor, high shipping costs and high rates of returns due to damage. PricewaterhouseCoopers reports that of all the reasons customers gave for returning on-line purchases, 31 percent complained that the product was broken or damaged.

According to Forrester Research, lowering the cost of fulfillment is listed as the second greatest challenge for e-tailers. Clearly, instituting a packaging process that reduces postage, enhances the image and protects the company's product should receive significant attention from cost-conscious managers. If the packaging process also saves time, reduces packaging inventories and requires less space and labor, then the rewards are all too obvious. For e-tailers and direct catalog companies, packaging has a major effect on perception, productivity and protection.

Customer's perception

E-commerce companies often overlook the impact of poorly designed and messy packaging on the customer's first impression of the quality of their products. A study of 60 e-tailers by Electron Economy found that "packaging speaks to overall quality well before pack-



ages are open." Packages that protect the contents from shifting and breakage and contain packaging material that is easy to dispose of is an important marketing advantage. Equally important, the packaging material must be easy to reuse to facilitate returns.

3M's Packaging Systems Division ran a series of focus groups on how Internet consumers viewed the packages they were receiving. The most surprising insight was just how savvy consumers were about the shipping process and their strong opinion that the shipping container be close to the size of the product inside. A real irritation was getting a small product placed in too large a box, surrounded by "peanuts" or other fillers, such as shredded paper. "Peanuts" came up again and again as the biggest gripe of all groups. It is clear that the consumer sees packaging as part of the total brand image the Internet retailers or catalog marketers project.

Productivity and labor savings

Perhaps the most important and cost-efficient change a distribution center can implement is to significantly improve the speed of material flow once the goods have reached the packaging area. The solution depends upon the volume of goods, which dictates the need for decentralized packing stations or a totally integrated packing line.

The volume requirements of a packaging operation must accommodate "peak periods," much like front-end order entry. Most distribution centers that package more than 500 orders per day use a centralized, on-line packaging process to maximize productivity and minimize the number of packers. Package volume and protection requirements determine the type of packaging material and dispensing methods needed.

It is critical to on-time delivery commitments that the packaging area does not become a bottleneck. A well-

thought-out packaging line can handle 10 to 12 packages per minute. Additional packers and/or systems can be added to the same line for peak periods.

For smaller volume, or customized pre-pack operations, the packaging station or off-line concept works well. In this operation, individual packaging stations receive the products and paperwork in a tote, and the packer is responsible for all aspects of completing an order, including final quality checks. The advantage of decentralized order fulfillment is that it involves lower capital costs and no systems integration. The disadvantage is reduced productivity compared to a centralized packaging line.

Expert help in designing a packaging line is available by contacting a packaging material manufacturer, such as Sealed Air Corporation. Packaging manufacturers work closely with other complementary companies, such as 3M, and the local distributor who can provide integrated solutions. It is important that the vendor provide line design and handle ongoing service requirements. For setting up a new fulfillment operation, companies such as Keyon-source.com provide complete engineering support and a turnkey operation.

Key to product protection, lower costs

Recent cost increases by the major package carriers have

made it imperative to use the lightest material that can protect a product in the smallest possible box, or a mailer bag. Cost-conscious managers of e-tailers and other direct sales companies are aware of the impact on the bottom line of shaving a few ounces from each package.

The most frequently used packaging material for fulfillment centers include air cellular cushioning (bubble), inflatable void fill, foam-in-place packaging, converted paper and suspension packaging. For small, low-profile items, protective mailer bags, such as Jiffy Mailer products, are ideal because they eliminate a carton, reduce labor and lessen postage cost.

For off-line packaging, typical product brands include Bubble Wrap cushioning, Rapid Fill inflatables and Korrvu suspension packs as they present a neat, positive image to the customer. Instapak foam-in-place or Fill Air inflatable packaging systems are often used for high-speed, centralized packaging lines, in combination with an in-line carton sealer and other auxiliary equipment and weighing systems.

Jupiter Communications recently reported that 27 percent of e-tailers spend more than 10 percent of revenues on fulfillment. Typically, more than half the cost of fulfillment is tied up in packaging the product for shipment and the associated costs directly linked to packaging — such as labor, shipping container size and postage. If a better way to package, protect and ship items can reduce labor, space and packaging inventories, and make consumers happier when they open their ordered products, then it is time to seriously reconsider the process by which e-commerce companies fulfill customer orders. **MHM**



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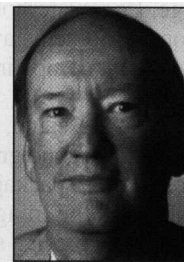
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About the Author

Paul B. Hogan has spent 33 years in the packaging industry, and he is currently a consultant for Sealed Air Corporation. His past experience includes positions in general management, marketing and sales. His most recent role was vice president sales for Sealed Air. He is now focusing on the dynamics and influence of packaging for e-commerce/fulfillment operations. For more information, contact Paul Hogan at paul.hogan@sealedair.com or phone (201) 712-7131.