The Hidden Dangers of the Wrong Industrial Packaging: Cost, Sustainability, and Reputation

ALTOR | PACKAGING**DIVE**

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Industrial packaging for durable goods brings with it some unique challenges. Many of the products in this sector — HVAC, furniture, appliances, and more – are big, bulky, and heavy. Protecting them without taking up more valuable warehouse space, sabotaging sustainability efforts, or hurting the unboxing experience is a tricky juggling act.

Some of the costs that come with the wrong packaging solution aren't easy to spot or quantify. While the actual cost of packing materials may be a simple line item, you may be missing other, potentially more damaging costs: reputation loss, product damage, increased transportation and warehousing costs, and more.

Unlike other product types that can use one-size-fits-all or single-material packaging solutions, industrial products may require variable packaging for different sizes, weights, or distribution environments. Knowing when to use a composite packaging design and using the best packaging for each application is crucial to minimizing costs and maintaining customer satisfaction.

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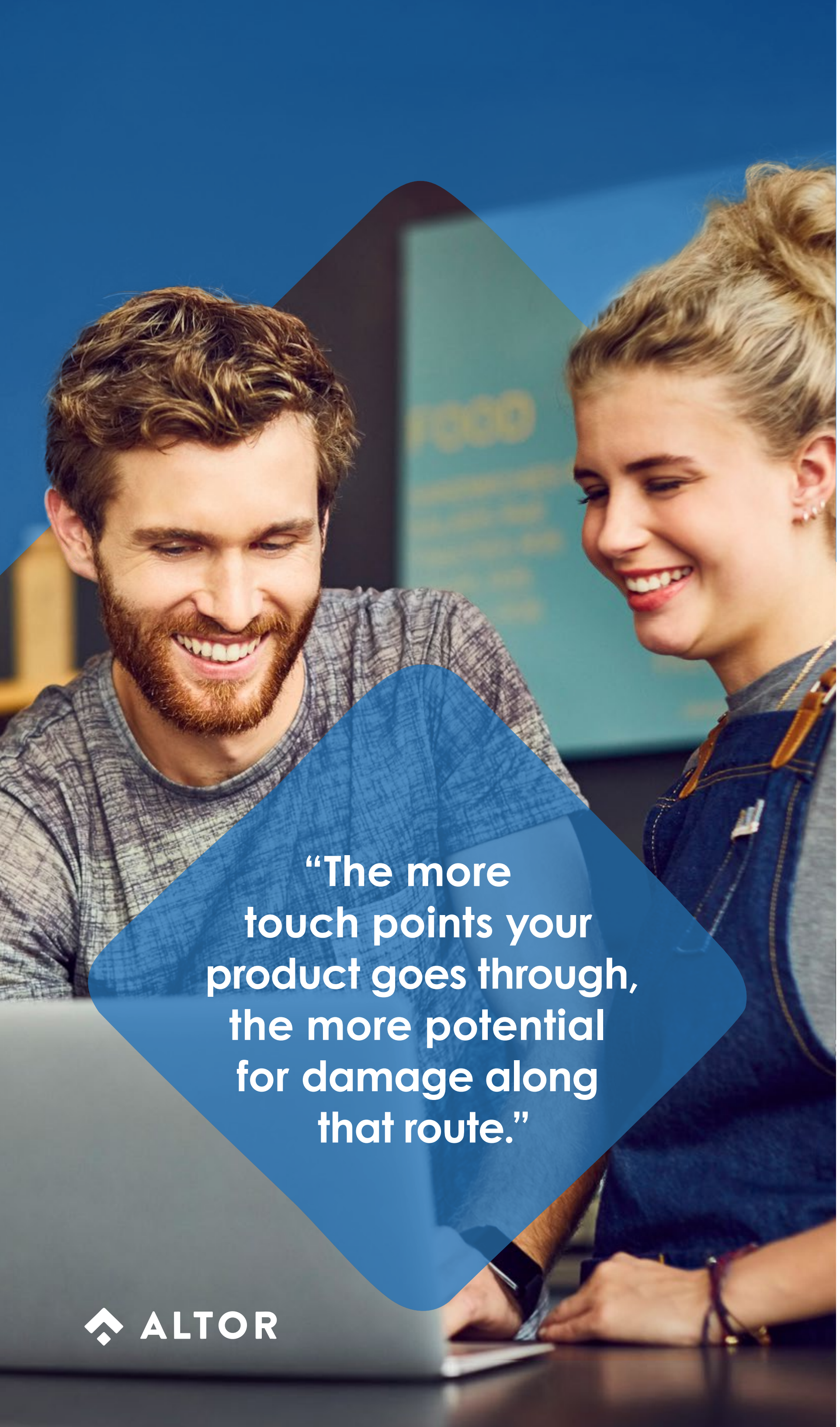


Industrial Use Cases Present Unique Packaging Challenges

“Compared to pharmaceutical or food products where you have standardized packaging requirements, industrial products are all over the board,” says Randy Kerr, Lead Packaging Engineer at Altor Solutions. “You could be shipping a fragile chair and then a large refrigerator, or you may have different distribution environments.”

Kerr notes that different stages of distribution have different potential issues, too. For example, a load of refrigerators leaving your warehouse will get broken up into mixed loads with other product types for the final mile, and that mixed trailer load can create new potential for damage if your packaging isn’t designed for the entire product journey.

Steve Morey, Segment Manager, Industrial at Altor, agrees. “A product might go direct from the factory to a warehouse to a consumer, or it might have a longer route. Especially with the rise of e-commerce, that distribution route might be a lot more complex, from factory to warehouse to regional distribution center to a freight handler to another distribution center and then a fulfillment center. The more touch points your product goes through, the more potential for damage along that route.”

Damage doesn't even have to make it to the product itself to cause issues along the distribution line. If the package is beat up, torn, or popped open during transit, customers may reject the delivery and initiate a return without looking at the product inside. So while that product may have arrived intact, it now has to navigate the return trip, opening it up to more opportunities for damage with packaging that was compromised on the outbound shipment.

Both experts also point out the warehouse environment itself as a potential challenge for industrial packaging for durable goods. Unlike pharmaceutical or food products, for example, industrial products have a longer shelf life, requiring packaging that can stand up to stacking and storage requirements. If a product is an odd shape or you're producing a lot of different-sized products, the packaging needs to take on the role of stacking ability for a warehouse shelf.

This is especially important when you're calculating your total cost of ownership for your packaging solution. Your cost per square foot for warehouse space is a big driver of your overall costs, especially if you're using a 3PL, rented or leased space.

Efficient packaging for industrial products is a delicate balance. On the one hand, if you overpackage, your costs go up and you may throw a lot of money away. On the other hand, if you don't design your packaging to account for all environments your product sees on its way to the final customer, you'll still see extra costs in the form of damage, reverse logistics, and replacement products.

The Hidden Costs of Ineffective Packaging

Costs associated with damaged product add up fast. As Kerr points out, “A lot of times, the damaged product coming back passes the replacement product going out.” That leads to triple the transportation costs for a damaged product: the initial delivery, the reverse transportation, and the second delivery of the replacement.

Then there’s the hassle involved in returning a damaged product, both for the consumer and the shipper. Industrial packaging for durable goods is often designed for a one-way trip, and may not be easy to reapply after the consumer has unboxed the product and discovered damage.

Add to that the frustration on the customer’s part of anticipating their product’s arrival (with consumer patience at an all-time low thanks to shorter e-commerce shipping promises). Having to schedule a pickup for the damaged product and delivery of the replacement on top of that gives your brand reputation a serious dent.

That reputation damage is no small matter, either. An unhappy customer tells up to 15 people about their negative experience, which can result in a lot of lost sales if your damage rate creeps up.

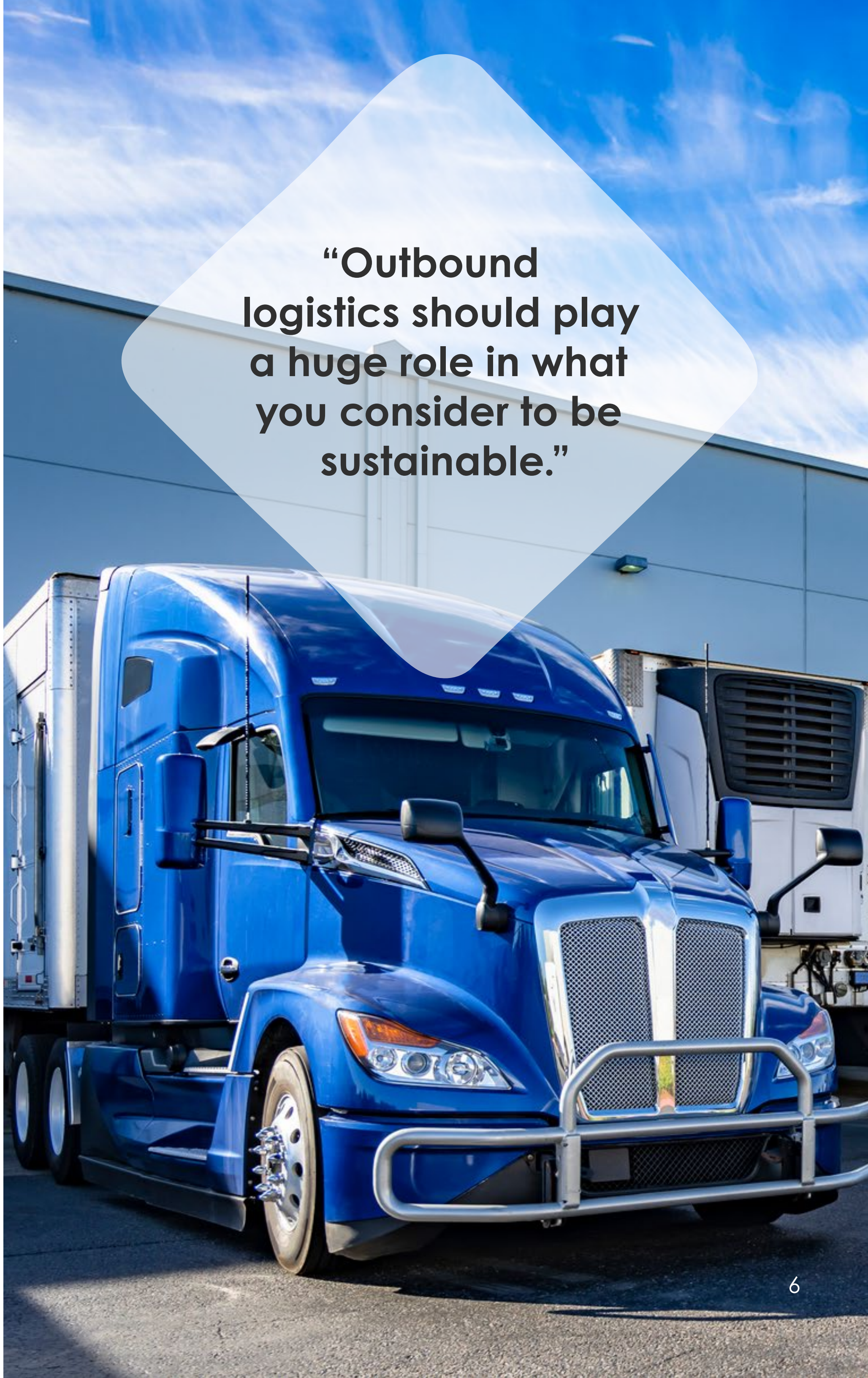
Damaged products also hinder your sustainability efforts, requiring additional fuel costs, replacement products, and packaging materials for those replacements. Sustainability can also be complicated in this area, with different stakeholders having different ideas of what "sustainability" means.

"You may use a lot of one type of material," says Kerr, "because it's seen as sustainable, but it requires a lot more material to protect the product versus a mix of materials that protect with less overall packaging required."

Sustainability isn't just about the amount of materials you use. It also includes transportation costs and the carbon footprint involved in damage to inefficiently packaged products. "Outbound logistics should play a huge role in what you consider to be sustainable," says Morey.

One final note on the hidden costs of the wrong packaging: safety, especially in the warehouse and on vehicles. With many products in the industrial space being big, bulky, and heavy, your packaging needs to allow stacking. If the packaging fails and causes a product to fall from a stack, it can result in injuries.

All of these challenges can be solved with better packaging design.



Save Product, Time, and Money with the Right Packaging

The question, then, is what should you look for in a packaging solution?

Both Kerr and Morey say the first step is to analyze your distribution environment and all of the touchpoints your product travels through until it reaches the end consumer. The right packaging provides protection for all of those touchpoints without damaging your sustainability efforts or driving costs up dramatically.

"Many companies focus on designing for what's within their four walls — inside their factories, warehouses, and distribution centers," says Kerr. "But they often overlook the final mile, which is often handled by third-party logistics and is where a lot of the damage happens."

Another point that's easily overlooked in the packaging calculation is that effective, sustainable packaging may cost more upfront, but that cost is offset by reducing damage and logistics costs for returns. Another is the ease of using the packaging in your warehouse. How quickly can your employees unbox, assemble, and fill each package?

"If you can get your package on the product and down the line in three seconds vs. a minute and a half, that's a huge driver," says Morey.

Total cost of ownership is an important consideration as you assess packaging solutions. "The packaging design or material on the front end has implications through the entire product journey," says Kerr. He notes that even if material costs are a little higher than your current solution, the savings from reduced damage can quickly offset those costs.

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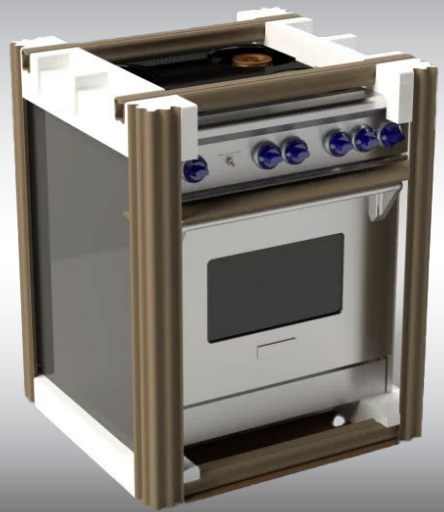
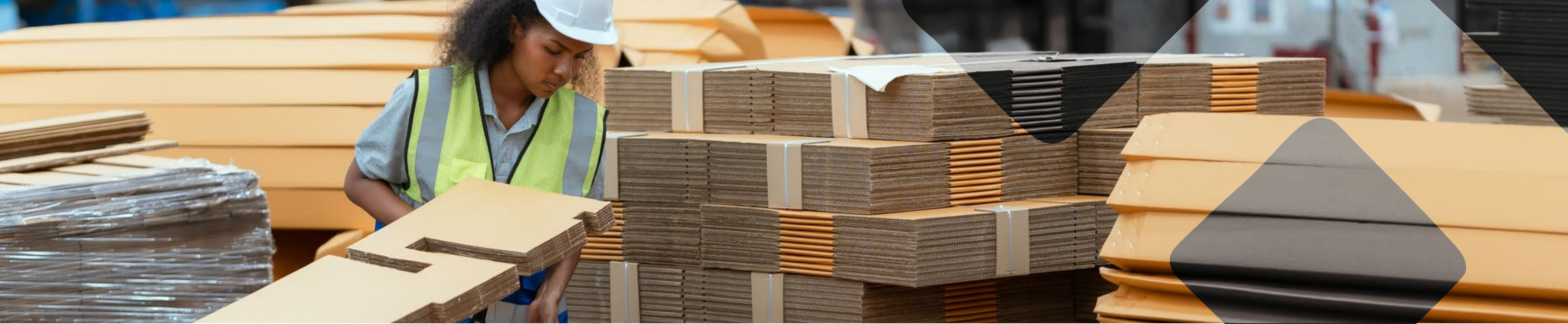




Choose the Right Packaging Partner

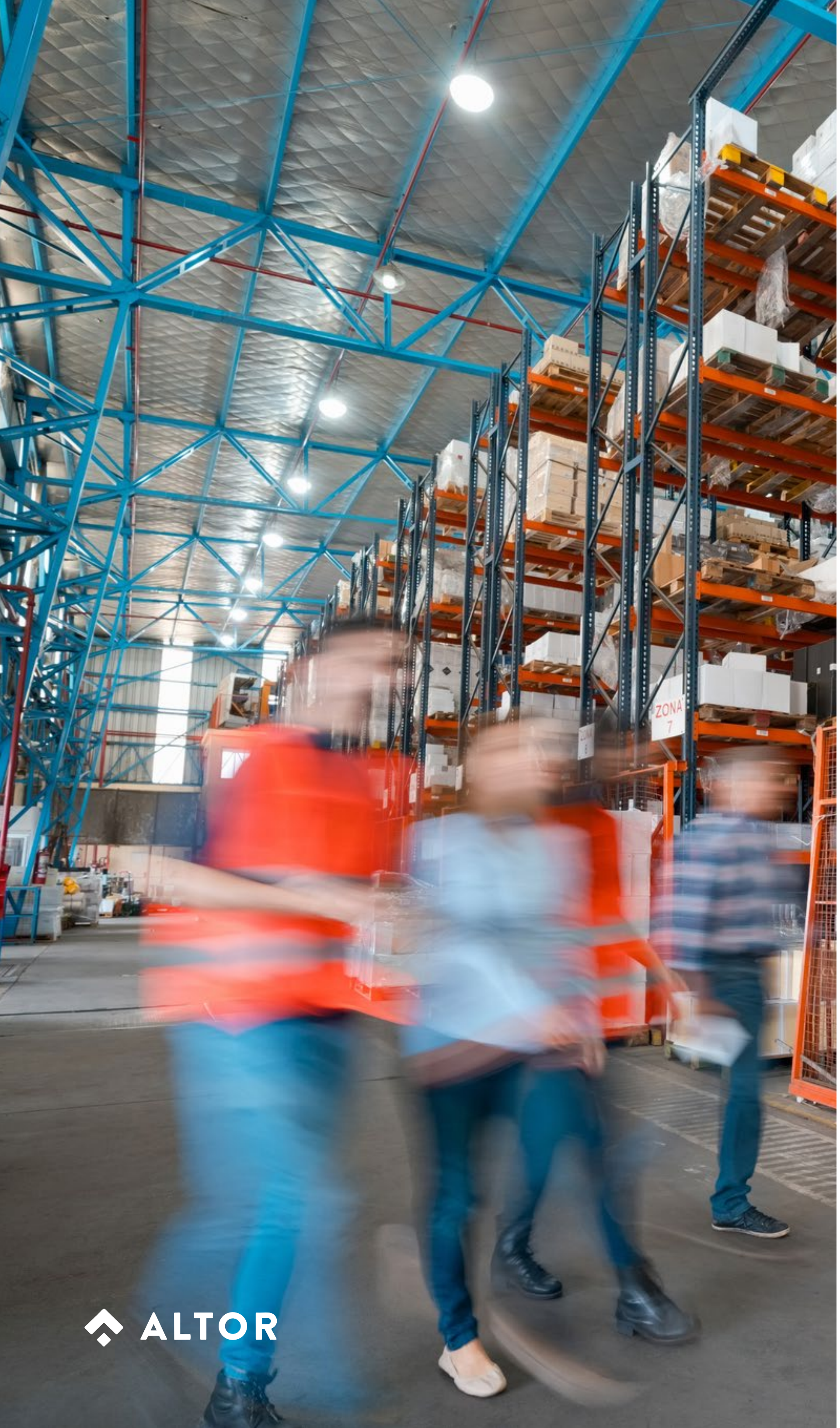
Beyond packaging materials, the provider you choose has a major influence on the success of your business. A provider without experience with your specific product type, distribution environment, or other operational needs will struggle to give you a solution that works well without causing the challenges mentioned earlier.

"It's not just experience designing a package," says Morey. "You want someone with the experience and expertise to actually listen to your specific needs and design to your unique requirements." The more experience a provider's team has, he adds, the more environments and scenarios they've likely worked with. That breadth of experience means they'll know how to design packaging to protect your entire product journey.

Your packaging provider can also make a big difference in your total cost of ownership for the packaging solution. Morey lists some important ways the provider affects this calculation, beyond just the cost of materials:

- **Inbound freight costs:** A provider with locations near your factory allows you to save on freight costs vs. one with a single location across the country from you.
- **Storage space, both in the warehouse and on the line:** Packaging that can store flat and assemble quickly offers savings on storage and labor costs. After a product is packaged, you want to minimize your warehouse footprint, so packaging that allows higher stacks can lower your storage costs even more.
- **Outbound shipping cost:** For example, if Package A allows 1,000 pieces to fit in a truckload without an increase in damage rate, but Package B only allows 800 pieces, the difference in freight cost may be worth the slightly higher cost of Package A.

"Packaging products is a system," says Kerr. "You have to determine what your product is able to withstand and design packaging that can handle what the product can't."



That's where your packaging partner's experience comes in.

They can assess your products, your distribution and transportation environment, and your handling needs to help you design a package that not only protects across those touchpoints, but also keeps your costs manageable.

For many businesses, packaging is all but an afterthought after product design and production. But with the critical role the package plays in getting your products from factory to end consumer intact, and in maintaining positive consumer perception of your brand, your packaging solution and partner should move up your list of priorities.

Are you experiencing high costs related to protecting your products throughout your distribution ecosystem? Get in touch today to find out how Altor's packaging engineers (and their decades of combined experience) can help design a solution that will save you time, money and brand reputation.

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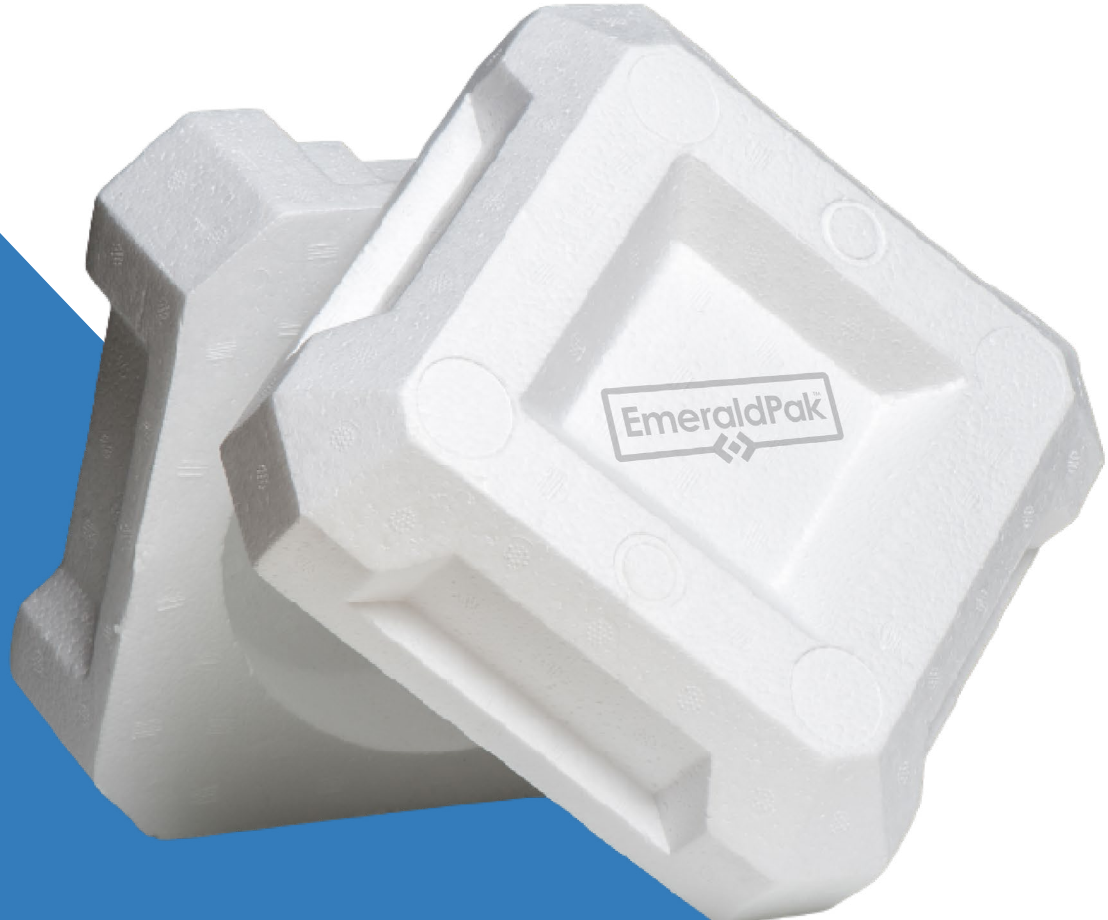

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