

Ecommerce Packaging

AN EYE ON THE CUSTOMER AND THE BOTTOM LINE

By **Mike O'Brien**, Senior Content Manager, Multichannel Merchant

The packaging you use in ecommerce shipments acts as a brand ambassador. How it appears, how it protects the contents and even how the product is packed can reflect positively or negatively on your company.

At the same time packaging costs continue to rise, forcing companies to get creative to pull costs out of the equation. Amazon, for example, recently changed its packaging approach, offering gift bags while forgoing wrapping paper, cutting out excess materials inside of boxes and making more packages “frustration free” that are easier to open. These changes will increase cube optimization and customer satisfaction.

Changes to dimensional weight pricing (DIM) by UPS and FedEx – including new DIM rate calculations that will increase 2017 charges – have forced merchants to re-think their entire packaging strategy. Because of DIM, shipping charges on many more ecommerce parcels are calculated not only based on weight but on a formula that takes into account dimensions as well. With DIM the rule of thumb is the smaller the package, the better.

This report will explore ways that merchants are looking to improve their packaging processes, gaining efficiency and reducing costs while also enhancing the overall customer experience on the receiving end.



AN AUTOMATED WATER-ACTIVATED TAPE MACHINE FROM IPG

Adjustable-height cartons – one DIM solution

One packaging option that’s generating interest from merchants is multi-depth or adjustable-height cartons, with a series of scoring marks for resizing the box. Using these cartons, companies can cut down on the number of box sizes they stock, while also reducing void fill and thus DIM charges and shipping costs. This solution is also less expensive than using machines that create custom-sized boxes on the fly, another popular approach to mitigating DIM costs.

Jim Burns, director of marketing for Shorr Packaging Corp., said a lot of retail customers are asking about adjustable-height cartons. For example, a 16x16x16 box could have height scoring marks at 14, 12 and 10 inches.

“The downside is it requires the operator to cut down four seams of the box at the same point to fold over to where the scores are, and the flaps at the top

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overlap because they're longer," Burns said. "So companies need to evaluate the whole picture including the cost of labor and materials."

To illustrate, Burns gave a scenario that assumes labor cost in a DC is approximately 30 cents per minute. If it takes an extra two minutes to cut down and enclose a scored box, that's 60 cents more in labor. But assuming a cost of roughly 50 cents per extra pound in billable weight based on DIM calculations, reducing the box height from 16 inches to 10 inches could save \$6 on shipping, netting out \$5.40 in reduced costs.

"(Scored boxes) are definitely something that's being talked about a lot," said Michael Parsley, senior vice president of transportation for Tailored Brands. "We did evaluate it, but determined for our part based on what we ship it didn't make much sense. But I do see a lot of people taking boxes and putting different breaks in them. It can make it harder to tape up, depending on where the break is."

Joe Bobko, vice president of transportation for Boxed.com, said he understands the economic benefits of scored boxes but wonders about the possibility

of degrading a box's strength and integrity.

"For someone like us, shipping multi-unit cartons that can range from snacks to beverages, we have to be very careful we don't degrade (box strength) just to mitigate DIM," Bobko said. "There are other options like negotiating a custom DIM divisor with your carrier. Box-on-demand systems are another solution, but it can have an impact on people used to a branded box. Different box sizes mean differences in what the customer sees in terms of logo or box design. It becomes an element that the marketing team needs to address together with operations."

Increasing use of water-activated tape

While plastic sealing tape is more economical, given the preponderance of automated application solutions and lower material costs, water-activated tape (WAT) is making a comeback, experts say. This resurgence is bolstered in part by the introduction of new machines

Three Ways to Design and Implement Sustainable Packaging

While brands have many choices when it comes to fulfillment and distribution, forging sustainable packaging is no longer one of them. Green packaging may feel like an add-on best reserved for the trendiest retailers, but it's not the case.

The majority of consumers have considered green packaging in purchasing decisions, and their preferences clearly indicate they reward eco-conscious brands.

Here are three tips to help you develop environmentally-friendly packaging:

Keep customers informed and involved

Before making your packaging more sustainable, bring customers into the decision-making process and ask for their preferences. Don't change packaging without warning or educating customers. This is not a minor detail as it impacts the brand relationship. Approach packaging changes like you would any emotional exchange with customers — with care and frequent communication.

Always inform them of your rationale for change. Many customers probably never saw a box with soy-based ink; with a little information they'll view the changes as proactive and worth sharing. When consumers feel they're included in the decision process they're more likely to develop long-term brand loyalty.

To include shoppers in the design process, encourage feedback with simple calls-to-action. Gather information by monitoring social media. Cultivate conversation around green packaging to highlight your efforts and the broader environmental impacts.

Get rid of poor packaging practices

Moving toward sustainability begins with materials. You can choose highly recyclable packages that are also aesthetically appealing. For example, soy-based inks come in many colors and are highly sustainable. These simple changes maintain exciting packaging while encouraging a green approach.

Examine how products are packaged. Improper designs can deter sustainability in even the most environmentally friendly box. Evaluate package volume and ensure space maximization, void reduction and downsizing when possible. Oversized boxes are wasteful and lead to dimensional pricing hits.

Improve your supply chain

As many brands partner with 3PLs to handle fulfillment, make sure they're not offsetting your green efforts. For example, check out how packages move from warehouse to doorstep. If your partner uses questionable practices, they should rethink how the impact on your brand goals.

With today's techniques, environmentally-friendly packaging options can still allow brands to preserve product integrity and uniqueness, even as ecommerce continues to boom.

Maria Haggerty is the CEO of Dotcom Distribution

that can apply the tape on a conveyor line, eliminating the labor-intensive practice of manually applying it from a dispenser.

WAT creates a stronger seal, reducing product loss and the potential for worker pilferage through the fulfillment process, and a better overall appearance when the package arrives on the doorstep. All of Amazon's smiling boxes, for example, come with a WAT seal. Surprisingly given its high-tech image, Amazon uses manual tape application in its many distribution and fulfillment centers.

Chris Groseclose, chief fulfillment officer for consumer electronics retailer Crutchfield Corp., said he's exploring ways to make greater use of WAT. Crutchfield primarily uses plastic tape in a facility processing conveyable items, and more WAT in a second facility handling larger packages.

"For the larger items, 50% of them ship in their retail package, and we do an over-wrap (of water tape) for items in transit," Groseclose said. "We use wet tape as much as possible. It makes a nice-looking box and a good-looking seal. If I could find a way to successfully use that tape more often, I'd switch in a heartbeat."

Parsley said he likes the added security of WAT and the better presentation factor, but the added material cost is a concern, even more so than labor. A former Amazon employee, he said the ecommerce giant had used a lot of plastic tape but switched to wet tape because tampering and pilferage are more readily apparent as the seal bonds to the cardboard fibers.

"Depending on the size of the item, (WAT) makes more sense," he said. "If you're shipping smaller items like memory cards, plastic doesn't seal as good and there can be gaps where they can fall out. Those are important factors but the cost difference can be substantial when you're using millions of feet a year."

Bobko said Boxed.com uses WAT exclusively but is always reviewing its processes to determine what works best. Some drawbacks include instances of the tape getting brittle in cold weather and "having a lot of give to it" when the weather is hotter.

Making store fulfillment and ecommerce look the same

With more retailers fulfilling ecommerce orders from stores to combat Amazon's vast network, they



A FIT AIR PILLOW STORE WORKSTATION FROM PREGIS

can't afford to skimp on the customer experience. The packaging and presentation must look the same, whether it comes from a DC or a store backroom.

Technology advances have led to smaller air pillow machines for void fill and protection, going from the size of a refrigerator years ago to that of a fax machine, enabling their use for store fulfillment. And the price per unit runs about \$1,000, vs. \$5,000 to \$6,000 for a DC-based machine. Companies such as Walmart, Target and Kohl's are among the large chains rolling out hundreds of these machines. Providers such as FP International, Storopack, Pregis International and Sealed Air Corp. are among those offering these solutions.

"Retailers need air pillow machines (for ship from store) but they want a seamless customer experience," said Burns from Shorr. "Previously they needed a significant volume to justify the investment in a store-based machine. Now there are chains putting 800 or more of these smaller air pillow machines in stores, allowing them to offer that seamless experience without going broke doing it."

Bobko, who helped launch the ship-from-store program at Toys "R" Us, said the chain set up "super-store DC sites" with a focus on matching the fulfillment quality of its ecommerce operations. As store-shipped orders typically don't have to travel as far – because the model is based on fulfilling close to the end customer – retailers can find ways to gain efficien-

cy besides using next-generation air pillow machines.

"Because the orders are traveling a shorter distance, theoretically you could put less dunnage inside the box, saving money and still protecting the product," Bobko said. "While you might use air pillow material that's 3 mils thick in a DC, you could get away with using 1-mil material in a store."

Growing use of polybags

Although not appropriate in all situations, more merchants are turning to polybags as a cheaper alternative to corrugated cardboard boxes for packaging material. It's ideal for soft goods such as apparel that don't require as much protection, and more economical in terms of shipping costs – the smaller size means more can fit in a truck and they're less likely to get hit by DIM charges.

Groseclose from Crutchfield said his company has about 700 items flagged for polybagging if sent individually, out of 6,000 total SKUs. He said merchants need to consider what can travel well in a polybag and what customers are expecting.

"We receive complaints for sending small things in a small box, but a lot of it is about maintaining the integrity of the package," Groseclose said. "We're constantly revisiting it and would like to get as much in a bag as possible. Still people write and complain, asking why can't we make the box the same size as the item? We bounce back and forth but don't knee jerk to every complaint. I'm surprised it's even an issue. I as a consumer don't care, but it's amazing the amount of people who do take it seriously."

Over the past three years, Tailored Brands has switched 60% of its shipments from corrugated boxes to polybags, a decision made easier by the fact that it's an apparel company with mostly soft goods.

"It makes a huge difference," Parsley said. "We have polybags that can be resealed for returns. It ships



A GLAMOUR POLYBAG FROM IPSY

fine, it's very strong and dependable, and our customers have no issue with it. As long as you're not shipping glass or something that's easily damaged, it's perfect. If you're shipping a gift, it should go in a box because it's more presentable. But for day-to-day delivery, it would have to be high-end fashion for (boxes) to matter to the brand of the company. For instance, Macy's does above 50% of its shipments in poly."

Burns said although polybags are winners in terms of materials, labor and shipping, there are instances where branding can trump costs.

"A custom package makes the customer feel like the product inside is valuable," Burns said. "Even though you can print beautiful color images and designs on polybags, there's something about getting a much anticipated order in a polybag that doesn't carry the same customer experience as a box."

Burns said some merchants have found creative ways to give polybags color and flash. For instance, Ipsy has made its polybags uniquely about the brand, including the use of glitter. "It all depends on the customer and what they're expecting," he said. "With some shoeboxes, high-end customers become collectors, while a t-shirt might have an edgy vibe and a bag is fine."

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