



SUPPLY CHAIN INSIGHTS

WHY PACKAGING IS THE NEXT FRONTIER FOR E-COMMERCE OPTIMIZATION

DHL Supply Chain – Excellence. Simply delivered.

Most organizations have spent considerable time and resources to support e-commerce growth by optimizing their sites to increase conversions, simplify ordering and minimize cart abandonment.

Those investments paid dividends during the pandemic in terms of increased sales. Yet, the pandemic also exposed a vulnerability within many e-commerce operations that hasn't gotten the same level of attention: packaging.

When e-commerce demand surged during the early stages of the pandemic, some packaging operations weren't able to scale quickly enough, and performance suffered.

While e-commerce growth has levelled off somewhat since then, the pandemic appears to have permanently accelerated the shift to e-commerce. E-commerce, as a percent of total U.S. retail sales, is expected to reach levels in 2020 that weren't projected until 2022. Brands planning to scale their e-commerce operations over the next several years now must adapt much faster to higher levels of demand or risk fulfillment and packaging becoming a barrier to growth.

Scaling with Speed

Packaging operations today don't have the luxury of delaying orders until the next day. Meeting consumer demand for faster delivery times requires orders be filled and packaged the day they are received. Of course, omnichannel retailers also need the flexibility to scale e-commerce operations without impacting store fulfillment.

Achieving scalability with speed requires a carefully orchestrated combination of technology, integrated inventory management and resource flexibility.

The foundation is a dedicated packaging software platform that provides the required support for the unique workflows encountered in packaging operations while also serving as a single source of truth for the packaging process.

Through integration with the warehouse management system (WMS), the packaging platform helps protect against last-minute critical inventory shortages and provides up-to-the-minute data on inventory location and quantity.

Integration with the ERP system enables finished goods forecasts to be loaded into the packaging system, which then automatically generates detailed bills of material for each finished good. This enables just-in-time purchasing based on the aggregate demand to leverage economies of scale.

As important as this technology is, the key factor that limited the scalability of some organizations during the pandemic was labor management.

At DHL Supply Chain, we were able to handle the sudden growth in e-commerce packaging requirements through resource flexibility and sophisticated recruiting strategies. When the pandemic first disrupted the economy, we quickly re-allocated resources across our campuses to shift personnel from production of in-store displays, which saw a decline when many stores were forced to close temporarily, to e-commerce packaging.

To continue to scale as the pandemic progressed, we leveraged established relationships with national staffing firms and our own digital onboarding tools to add people where required. As a result, we were able to not only efficiently manage high order volumes, but also seamlessly absorb packaging requirements from suppliers who struggled during the early stages of the pandemic.

Enhancing the Brand Experience

Just as delivery windows must be protected as e-commerce scales, brands must ensure they can maintain or enhance the brand experience for e-commerce customers. In many cases today, consumers' experience with a brand is defined exclusively by the e-commerce transaction. In that context, packaging represents the only tangible consumer touchpoint beyond the product itself.

Adapting to this new reality may require brands to rethink their e-commerce packaging. Brands seeking to align with environmentally conscious consumers can't afford packaging that is non-recyclable and appears wasteful. At DHL, we are continually working with brands and material suppliers to develop packaging solutions that balance protection, sustainability and cost efficiency.

Another opportunity is to re-design packaging to deliver an unboxing experience that reinforces the brand image and increases customer satisfaction. Customers of premium and luxury brands, in particular, should "feel" the brand in the unboxing experience. A 3PL with deep packaging experience can help create brand impact without compromising other essential attributes, such as functionality and sustainability.

Managing Costs

The final piece of the puzzle is driving inefficiencies out of the system to maximize productivity and minimize transportation costs as volumes increase. An experienced packaging partner can enhance efficiency as the packaging operation scales through process engineering expertise, disciplined execution and flexibility. For example, at DHL, we were able to quickly re-engineer packaging lines to introduce social distancing while maintaining high levels of productivity.

Optimizing packaging size can also drive waste out of packaging and reduce transportation costs. Our research found that, on average, 24% of the volume of an e-commerce package is empty space. That led to the development of our proprietary carton optimization technology that combines sophisticated algorithms with our on-demand approach to packaging to ensure the right package is produced at the right time for each shipment.

Most consumer brands will need an effective e-commerce strategy to meet growth objectives over the next several years. While capturing the order is essential to e-commerce success, so too is the ability to deliver orders in a way that meets consumer expectations for timeliness and sustainability while reinforcing the brand image. DHL Supply Chain can not only help you design a packaging solution that ensures your customers experience your brand in the desired way, we can ensure you have the integrated, technology-forward approach to packaging to tap the full potential of e commerce.

