

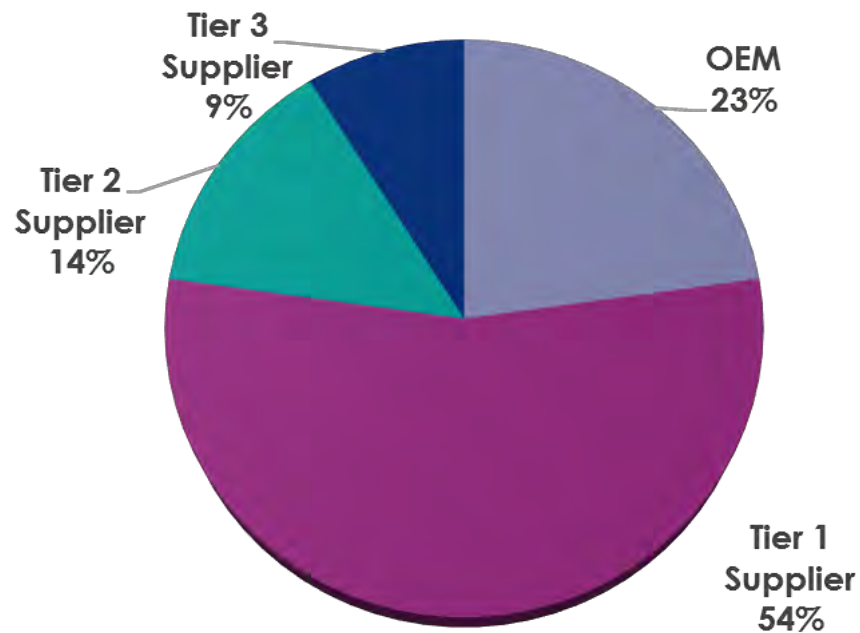
A photograph of two men in a warehouse setting. The man on the left is wearing a yellow high-visibility vest and is looking at a laptop. The man on the right is wearing an orange high-visibility vest and is looking at a tablet. They are standing on a yellow metal walkway. In the background, there are stacks of boxes and a white car.

The impact of packaging on your total supply chain costs

Automotive Survey Results 2017

About the research

We conducted a survey which focused on **packaging challenges** in the automotive sector amongst **OEM's, Tier 1, Tier 2** and **Tier 3 suppliers**.

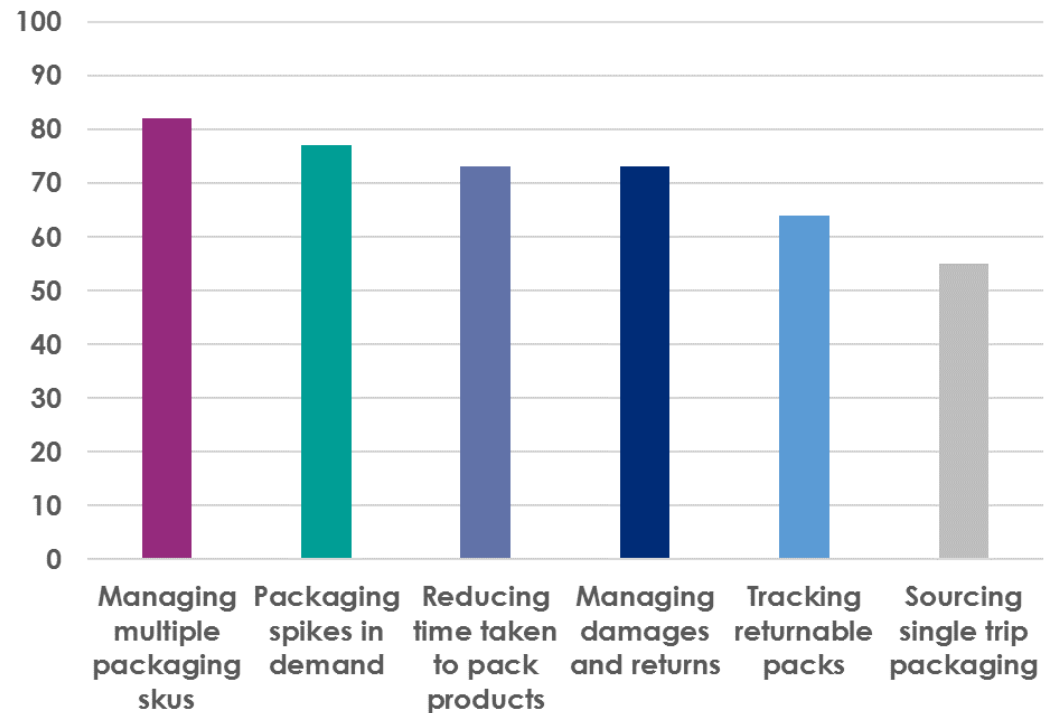


Here's what we found...

Managing multiple packaging SKUs and **packaging spikes in demand** were among the biggest challenges faced by the respondents. **Over 70%** of respondents struggled to reduce time taken to **pack products** and manage **damages and returns**. More than half of the businesses experienced issues with **tracking returnable packs** and **sourcing single trip packaging**.



In terms of packaging, how much of a challenge are the following for your business?



Managing multiple packaging SKUs

If you are shipping products on multi-sized pallets, or using an individual box size for each product SKU, then potentially there is an opportunity to **reduce the number of SKUs you buy**.

A complete **review of your packaging** lines and a little **innovation** can often unlock a pack design that can be used for multiple products. An online ordering account can also give you access to 24 hour order placement, allowing you to manage packaging stock across all production shifts if required.

The Chartered Institute of Purchasing and Supply (CIPS) estimates the **total cost of supplier management** to be **£1,500 per year** and the total **cost of raising a purchase order** at **£50** a time. If you are working with multiple suppliers and raising POs each month with all of them then there are cost savings to be made by switching to a supplier who can manage all of your packaging SKUs.



Managing spikes in demand

Spikes in demand can prove tricky when managing packaging stock – how much do you buy and when? Is there a lead-time to be factored in? Where do you store it if demand drops?

With bulky packaging that requires a high minimum order quantity this can prove problematic – storage is expensive and unused stock on shelves ties up cash flow.

The answer could be **offsite storage with JIT delivery** – this means that the stock is already manufactured and available for call-off the next day. This could help you to manage spikes in packaging demand and **free up significant storage space** that could potentially be used to increase production floor space.

Taking delivery of packaging only when needed can also **free up cash flow** as you're only paying for stock as you use it – not before you use it. This makes a positive impact on business operating costs.



Our Survey

The following did not store packaging off-site:

OEM's – 60%

Tier 1 Suppliers – 83%

Tier 2 Suppliers – 67%

Tier 3 Suppliers – 100%

Reducing the time taken to pack products

By **speeding up product packing** you are **speeding up productivity**. It's an opportunity to not only **increase throughput** but potentially **save on labour costs** too. There are many ways to approach this.

The first is to review your packing area – is the **layout** conducive to speedy packing? Are all of the items that the packer needs close to hand or, are they walking the floor to assemble the items used to complete the packing?



Next review the **actual packs**. Is there a better, quicker solution for your products? For example, if you are using a die-cut box with tab and slot assembly then there could be a better solution available.

Box innovation has moved on – many designs are available with a **crash-lock base** that can pop up in seconds. If you are using dividers, then some packs can incorporate that into the pop up design.

Managing damages and returns

Damages and returns often have **hidden costs** which are not always captured by businesses. It is not just the replacement/write off costs to consider but also the cost of 3 transport journeys – the first carriage to the customer, return carriage to the warehouse then the forward logistics back to the customer. You also incur **additional labour** and **administration costs** for managing this process.

When you understand the true impact of damages then you can review the packaging solutions that are more appropriate for your products. On paper a **new pack design** could cost you a few pence more but, if it's delivering a reduction in returns then the net benefit will be **savings throughout the operation**.



Reducing transportation costs

A few centimetres off a pack can **increase the number of items** you can fit on a pallet. **An increase in pallet yield** can **improve** your **carbon footprint**, **reduce transportation costs** and **increase payload**.

It can cost a lot of money to ship fresh air. Make sure packs are a good fit (and fit for purpose) for the product shipping and that space within the pack is kept to a minimum.



The impact of packaging on total supply chain costs

A review of packaging can help deliver savings in operational costs:

- Reviewing packaging SKUs and looking for opportunities to consolidate packs and suppliers can uncover **administration savings**.
- Reviewing packaging suitability to your products can potentially deliver **increased pallet yield** and **reduce transportation cost**.
- Using innovative packaging to speed up your packing operation can **increase throughput** and often **reduce labour costs**.



Our Survey

The following did not investigate the impact of packaging on their total supply chain costs:

- OEM's – 20%
- Tier 1 Suppliers – 25%
- Tier 2 Suppliers – 33%
- Tier 3 Suppliers – 100%



To find out more about how we can help you save costs and improve your packaging operation call **0800 2888 444** or email **response@macfarlanepackaging.com**

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