



HOW DO I CUT MY PACKAGING COSTS?

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Everyone working in product supply or distribution knows that tertiary (or transit) packaging is an essential component of the cost of goods sold – and everyone wants to minimise its cost whilst ensuring that it always keeps goods in pristine condition right the way to their final destination. Of course, this isn't quite as simple as it sounds, and it's worth bearing in mind that without conducting a holistic review of the complete packaging process, isolated decisions that seem to be 'common sense' can actually cause wider problems and reduce efficiencies both operationally and financially.

This whitepaper provides an overview of some of the key areas to consider when looking to reduce packaging costs, but if you are serious about conducting a packaging review it is well worth considering enlisting the assistance of a professional packaging consultant, as this can help you to reap large rewards and avoid potential pitfalls. Here at Hazel 4D we commit to taking a 'deep dive' into your long term goals and current processes during packaging consultations, in order to fully understand your situation. We are then well placed to identify existing issues, recommend solutions, bring well targeted ideas and innovations to the table, and quantify the benefits of improvements that can be made.

WHERE DOES THE COST OF PACKAGING GO?

Tertiary packaging means a lot of different things to different people as their needs differ widely depending on what they are selling, and the category covers a huge variety of products and processes. Whilst it is quite easy to review past invoices to establish the packaging components on which you have spent the most money, this doesn't come close to giving the full picture. There are lots of hidden costs and considerations that also need to be taken into account, as can be seen from these examples:

COST PER PALLET (BEFORE OPTIMISATION)

£0.35 material cost + £0.57 time cost = £0.92 per pallet, or £92 per 100 pallets

COST PER PALLET (AFTER OPTIMISATION)

£0.35 material cost + £0.28 time cost = £0.63 or £63 per 100 pallets, reducing costs by 30%

1. Time – how long does your team take to perform each part of the packaging process? Whilst we all know that our people are our biggest asset, we also know that staff costs are almost always a company's highest overhead. By way of illustration, an operative who is paid £10 per hour costs approximately £0.19 per minute once NIC and PAYE contributions are taken into account. Taking wrapping a pallet as an example, the film used to wrap the pallet might cost £0.35, but if the operative takes 3 minutes to complete the process, then the time to wrap the pallet adds a further £0.57 to the cost. This might not seem particularly significant in isolation, but the numbers soon add up for an organisation wrapping 100's of pallets.

2. Taxes – using the word in the loosest sense! There are many ‘taxes’ that apply to packaging, and these are set to increase in the future. Most organisations using packaging will be all too familiar with Packaging Recovery Notes (PRN’s). This levy costs businesses £1,000’s of pounds per year, but clever packaging choices can significantly reduce this cost. Using a real example from 2020, one of our customers saved £7,000 on their PRN’s as a result of a single change they made halfway through the year – meaning an annualised saving of £14,000 from one ‘smart’ product switch. So significant savings can be made. More taxes are already on their way, and during 2022 we expect to see the launch of the UK Government’s plastic packaging tax, followed by the launch of the new Extended Producer Responsibility for Packaging in 2023 – a more onerous and far reaching replacement for the current PRN system. Changes made now can, and will, have a big impact on the effects of this new legislation on your business.

3. Health and Safety – yet another hidden cost. Many organisations lose time and money when staff suffer work related illness – not least as a result of the way in which they wrap pallets. It’s therefore important to ensure that the methods used in your packaging process as risk free as possible from an H&S perspective.

HOW CAN I SAVE MONEY ON MY PACKAGING?

If you do decide to go it alone to save money on your packaging process, here’s a few ideas to start you off:

The easiest thing to look at are the materials you’re using – to assess whether there are simple changes that you could make to create instant savings. For example, could you reduce the thickness of that cardboard box, or pallet top sheet? Could you replace your pallet wrap with a thinner product? Maybe reducing the amount of plastic used in packaging would reduce your PRN costs? There are endless options here but, as a general rule, where manufacturers can find ways to pack more product into a unit (be it a roll/pack or however it is sold) this generally equates to a financial saving.

It is more than likely that we would be able to demonstrate similar savings and opportunities for you – take a look at this article for more detail on how we do this: <https://www.hazel4d.com/services/packaging-consultations/>

Here’s a story about how we helped a large packaging user cut costs using this approach: <https://www.hazel4d.com/casestudies/telecoms-provider/>



IMPROVING THE QUALITY OF PACKAGING MATERIAL

It's also well worth looking at the quality of the packaging materials you are using because, as with so many things in life, the cheapest is very rarely the most cost effective in use. It's important to recognise what the key measurement is here (we call it a KPI – a packaging key performance indicator). Hopefully it is obvious that the KPI isn't simply the cost of specific items of packaging, but rather the cost of shipping any given unit, whether it be a full pallet or a small ecommerce parcel. By using a slightly more expensive box, for example, it might be possible to dispense with the need for tape or void fill, which might well save a minute of time as well as materials – reducing the overall cost to ship the unit as a result. The Extremus pallet wrapping range is a prime example of how an intelligent choice of material can reap dividends as it can deliver the dramatic reductions in cost and plastic usage whilst significantly improving load stability and safety.

Learn how our Intelligent Load Stability system saved one customer £100,000 a year while also improving the stability of their pallets:

<https://www.hazel4d.com/casestudies/food-manufacturer/>

REDUCING WASTE

It is also well worth establishing how much packaging is wasted in your current process. It may be products that don't get fully used such as rolls of pallet wrap or tape, or perhaps carton sizes are too large – meaning that additional packaging is needed to fill the voids. Taking a long hard look at the process at grass roots level is well worth the time, and you'll be surprised what can come out of it. Often operatives will continue using packaging materials and processes long after they are rendered inefficient and wasteful by changes in the product offering or despatch system.

Today's consumers are already demanding environmentally responsible packaging, and we all know that these demands will only increase in future. Sustainability is already at the heart of everything Hazel 4D does, and we are developing more eco-friendly approaches all the time, so that any business working with us can pack their products with a clear conscience and their head held high.

Find out more about our sustainability services: <https://www.hazel4d.com/services/sustainability/>



PACKING ITEMS CORRECTLY

Your final consideration should be whether the materials you are using are actually the best form of packaging for the job in hand. During many audits we identify processes that, whilst workable, are far less efficient than other options – and this can often be a ‘light bulb moment’ for managers. Perhaps you could consider whether an e-commerce box would be a better solution than the 0201 box you are using currently, or whether gummed paper tape might work well for you rather than conventional plastic tape? Or maybe your pallet wrapping process needs updating and it is worth investigating what can be achieved by using modern Nano technology film instead of a traditional 23mu machine film. We never fail to be surprised by how often we come across poorly wrapped pallets, and see companies struggling with the pressures caused by poor load stability and collapsed pallets, whilst they are still accepting high pallet wrapping costs. Indeed, one of the highlights for our packaging consultants is the extent to which they can help companies reduce their plastic usage, and costs, whilst dramatically improving load stability – you can read more about that here – <https://www.hazel4d.com/services/intelligent-load-stability/>

SUMMARY

There is certainly a wealth of opportunity to reduce costs by undertaking an in depth packaging review and taking a step back to take an end-to-end look at your packaging operation. Starting with your processes, working systematically through each packaging area, and ending with the consumable materials themselves can reap dividends if it’s done right. Though it’s extremely important to maintain a holistic view of the whole process to ensure that a perceived benefit in one area doesn’t inadvertently cause problems elsewhere. Our packaging consultants carry out these audits all day every day and, with many decades of experience across the team, there aren’t many scenarios that they haven’t come across.