



Executive Knowledgebase

by Gene Smith – Director, Packaging Solutions



Evaluate. Innovate. Dominate.

Think Outside the Box, but Don't Forget about the Box. Leverage Your Packaging Program as a Strategic Competitive Advantage.

Corrugated packaging is more than just brown boxes used to ship your products. An effective packaging program can send a strong message about your brand, your company's environmental awareness and your desire to keep customers happy. An optimized corrugated packaging program can also save you thousands of dollars in transportation costs. With many arguments driving a streamlined packaging program, let's look at the corrugated industry as a whole to understand why packaging optimization should be a critical component in your company's long-term growth strategy, and examine specific ways you can enhance your packaging platform to make it a competitive advantage.

Unpacking the Industry

As the North American economy continues one of its longest growth periods on record, the global corrugated packaging market is projected to grow by 6% year over year through 2021, according to a recent Technavio report. In 2017, U.S. corrugated carton shipments were up 2.6% over the prior year. Because of this steady, long-term increase in demand, corrugated pricing has outpaced the rate of inflation for the past decade, breaking significantly with inflation rates since 2012, according to Bureau of Labor Statistics data.

Economic success and containerboard mill operating rates pushed all corrugated manufacturers to implement another increase in March 2018. Two of the largest producers in the marketplace had previously announced plans to apply increases in early Q4 2017. However, those increases never materialized because others in the industry did not believe that the timing was right in light of the significant issues most companies were facing at the time due to hurricanes Harvey and Maria. Many producers did not want to implement what would have been the third increase in eighteen months.

Despite the timing issue, all manufacturers stood unified in preparing their customers for the additional increase. They pointed to increased demand, box plant capacity issues and increased raw materials costs. We continue to hear that many converting



facilities are refusing to quote on new business in order to guarantee their current customers' service levels. As reported by American Forest & Paper Association, containerboard production for June 2018 increased 2.0% compared to the prior year, and operating rates were 96.8%. Containerboard production in June 2018 for export was up 7.1% compared to June 2017.

The industry continues to see consolidation as major players continue to absorb smaller, successful companies to broaden their market share and expand capabilities. Additional containerboard capacity continues to come online and major manufacturers are making significant investments in current operations to increase efficiencies and quality. However, with box demand and capacity levels showing no signs of slowing down, the discussions of future price increases will likely continue.

What Makes a Packaging Program Effective?

Since the shipping container is the first thing your customer sees when your product arrives, custom packaging can make a good first impression and draw customers back to your product. Today's technology in the converting process allows companies to utilize customized graphics for their shipping cartons at a very reasonable cost. Direct print capabilities have progressed to the point that many converting facilities can deliver superb image quality that is comparable to a photographic finish.

If you're promoting sustainability initiatives, corrugated packaging is the shipping container of choice. Many companies use recycled linerboard in the construction of corrugated sheets. Couple this with easy access to recycling options for the shipping carton, and corrugated packaging is one of the most environmentally friendly packaging products in the marketplace. According to Fibre Box Association, 93% of all corrugated containerboard produced was recovered and recycled in the U.S., the best recycling rate of any packaging material used today.

There is no second chance to make a good first impression. Corrugated packaging can keep your customers happy by preventing damaged products and reducing returns. Packaging can be designed specifically for your product, and when coupled with

the correct protective inner-packing, product damage during shipment can be reduced greatly.

When small parcel shippers adjusted their pricing models to dimensional weight pricing structures in 2016, setting shipping rates based on package volume rather than weight, many shippers encountered higher shipping costs. Careful evaluation of packaging programs to ensure cartons are "right sized" can save you thousands of dollars annually in shipping costs, and possibly even packaging materials costs.

Where Do I Start?

How do you know what an optimized program looks like? First you need to understand how your shipped products relate to warehousing requirements - or in some cases limitations - handling methods, density, transportation modes, destinations and potential for sustaining damage. Many companies rely on Transportation Insight's packaging solutions, and our network of packaging partners, to facilitate a comprehensive program review that can uncover innovative ways to drive savings and improve overall customer satisfaction. Whether Transportation Insight develops and implements a standalone packaging program or architects it as a component of a more comprehensive Enterprise Logistics solution, the goal is the same - maximize your return on investment to drive long-term success.



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Transportation Insight delivers multi-modal, end-to-end Enterprise Logistics solutions to North American manufacturers, distributors and retailers. Gene Smith has more than 30 years of experience as a packaging professional, specializing in operations, spend analysis, benchmarking, implementation and supplier management, along with specific expertise in commodity price trends, RFP development and contract management.

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