

Balancing Sustainability and Protection in Ecommerce Packaging

By Tim Parry

Online retail sales reached \$98.06 billion in the first quarter of 2017, according to U.S. Commerce Department figures. Ecommerce grew 14.8% increase over the same quarter a year ago, and it's a trend that will only continue to rise.

At the same time, there is a heightened interest on the part of many consumers in environmental issues, including the reduction of waste and carbon emissions. And the explosive growth in ecommerce by its very nature – millions of orders of single or double items – has become a major contributor to the waste stream due to its packaging.

As the volume of ecommerce deliveries continues to rise, shipping carriers are proactively looking to cut down on their carbon footprint. Over the past few years, UPS, FedEx, DHL and the United States Postal Service have introduced fuel-efficient vehicles to their fleets.

This focus has had a major impact on ecommerce packaging as well, including processes and materials. While merchants want to reduce their carbon footprint, they also need to ensure the packages they ship are delivered damage-free.

So how do you strike the right balance between protection and sustainability?

To optimize design and materials, the needs and impacts of the entire system, including both the product and the package, must be understood and taken into consideration. Optimizing packaging for ecommerce may



very well look different than design for traditional retail, due to the different demands of the respective distribution chains, according to a January 2017 report by the American Institute for Packaging and the Environment (AMERIPEN).

Opportunities to invest in further development of the packaging supply chain for ecommerce and subsequently omnichannel span the breadth of distribution channels, and solutions will come only through industry collaboration and transparency, according to AMERIPEN.

Bigger Was Better

About 20 years ago, according to Vermont Teddy Bear Vice President of Operations Lynn Jeffrey, packaging used for direct-to-customer orders was rather extravagant.

CONTINUED ON PAGE 2

FEATURED IN THIS REPORT



Page 2
The Cardboard Caveat



Page 4
Poly Bags Becoming the Norm



Iconic cataloger Spiegel, for example, would ship ready-to-wear items as garment on hanger. Its shipping boxes were designed so that the clothing could hang inside.

Spiegel set a surprise-and-delight standard that apparel sellers such as Nordstrom, Macy's and Bloomingdale's adopted to ship products in these oversized boxes.

"The thinking at that time was that if you're going to spend a hundred dollars or more for a dress, you need to give the customer a presentation," Jeffrey said. "The thought was the consumer can't reconcile the price of the product and receiving it in a poly bag. I think that in the evolution of packaging, customer expectations, waste and the environment all kind of come together where people are saying, 'yeah, that type of packaging is totally adequate.'"

Jeffrey, whose company has apparel brands Pajamagram and Pajamajans, said the idea that apparel needs to come ready-to-wear and wrinkle-free has been replaced. Now the customer is concerned that the package they receive comes with as little waste as possible.

"It needs to come in the smallest package it can to make sure that it arrives in pristine condition," Jeffrey says. "But consumers would much rather have that and not have to deal with bringing these big pieces of cardboard back to the recycling center, so that poly bag mailers seem to kind of resonate with our customer base."

It's Not Easy Being Green

Sustainability and packaging lifecycles continue to be a hot button for most of flexible packaging manufacturer PAC Worldwide's customers. PAC Worldwide Chief Sales Officer Steve Foster says source reduction is the best option, with a greater use of recyclable products as the next best alternative.

But the cost and options of green packaging are big deterrents for One Click Ventures, which owns eyewear companies Readers.com, Sunglass Warehouse and felix + iris.

"Adding even a few cents to the cost of a box can be prohibitive when you are shipping thousands or millions of packages each year," says One Click Venture COO Angie Stocklin.

For several years, One Click Ventures used recycled bubble wrap to protect its glasses during shipping. However, its marketing team determined the green color didn't match the brand, so the merchant moved back to clear bubble wrap.

"And in the past, it was harder to find sustainable packaging in all of the same size and custom options that you can get with regular corrugated cardboard," Stocklin says.

The Cardboard Caveat

Corrugated cardboard is still a popular choice for shippers, since it offers package durability and user recyclability. But inefficient packaging leads to higher transportation and material costs, and contributes to a reduction in carrier discounts due to oversize charges and dimensional weight adjustments.

FedEx and UPS reduced their DIM divisor from 166 to 139 in January, effectively increasing the shipping costs on millions of ecommerce parcels, although UPS has exempted domestic air and ground parcels that are less than one cubic foot from its policy. Translation: If you right-size your packages, they won't cost as much to ship, and you'll be using fewer materials.

But LJM Consultants Vice President Kenneth Moyer says the carriers' DIM weight policies, which have been in effect since 2015, have not caused all shippers to right-size their packages.

"I received a shipment [in January] that contained 60% to 70% air bags, and the shipper paid an extra \$4 to \$5 to ship it," Moyer says. "Some merchants have made big

What Consumers Want

PAC Worldwide's Involve Ecommerce Packaging Survey, which was conducted in February 2017, sheds some light on the types of packaging consumers want when they receive their order. Among the highlights:

- Packaging influences more than half of consumers' overall perception of an ecommerce brand
- Protection and minimal waste with right-size packaging are the two top priorities for consumers when receiving an ecommerce order
- How well the product is packaged and if it arrives undamaged determines whether consumers will buy from that e-tailer again
- 100% recyclable poly bubble mailers are the preferred packaging choice for apparel by consumers

strides in adapting to DIM weight and are seeing significant improvements in their parcel bills, but many have not.”

Knowing the size and weight of every item in your inventory allows orders to be designed for specific carton sizes, saving costs and lessening the environmental impact. Using this technology requires that every SKU be part of the database of your host software system.

“We work hard to ensure that we are using the smallest possible box for our products,” Stocklin says. “Not only does this save us money in shipping, it also ensures that we aren’t taking up too much room in delivery vehicles. The fewer delivery vehicles we have on the road, the less CO we’re sending out into the atmosphere.”

Stocklin says One Click Ventures has a rule that if the box can’t be easily closed with the wrapped glasses inside, the packer needs to move up to the next size.

“We want to avoid broken merchandise from our own

error of shoving too much in a small box,” Stocklin says. “But after years of testing, we’ve come up with a size that works for 90% of our orders.”

Rethinking Brand Packaging

Mass merchants have been encouraging brands to rethink their packaging for sale in the ecommerce world.

Take Amazon, for example. Its “Frustration-Free Packaging” initiative was designed to alleviate what it calls “wrap rage” by featuring products in recyclable boxes that are easy to open and contain fewer excess materials.

Amazon says this packaging can be opened without a box cutter or knife, while protecting products just as well as traditional packaging. Products can be shipped in their own boxes, without the need for an additional shipping box.

Three Ways to Design and Implement Sustainable Packaging

While you have many choices when it comes to fulfillment and distribution, forgoing sustainable packaging is no longer one of them. Green packaging may feel like an add-on best reserved for the trendiest retailers, but this is not necessarily the case. According to a packaging study by Dotcom Distribution, 57% of shoppers said that green packaging is important – for all brands.

Regardless of whether you think being green is worth it, 61% of consumers have considered green packaging when deciding where to shop.

All brands should consider adapting their operations to be greener. Here are three tips to develop environmentally-friendly packaging:

Keep customers informed and involved

Before changing your packaging to be more sustainable, bring customers into the decision-making process and ask for preferences. Perception is key and brands can often do more to educate shoppers on what it means to be green. Don’t expect to change packaging without warning or educating your customers. It seems like a minor detail, but represents their relationship to your brand. Approach packaging changes like you would

any emotional exchange with customers, using care and frequent communication.

Include information on why changes are being made. A customer may have never seen a box printed with soy-based ink before, and a little information can help them view improvements as proactive and worth sharing. If they feel included throughout the process, they’re more likely to develop long-term brand loyalty.

Encourage customer feedback with simple calls-to-action. Gather information by monitoring social media, where consumers are already apt to share both positive and negative experiences. Cultivate conversation around green packaging to highlight both your efforts and the broader environmental impact of packaging changes.

Get rid of poor packaging practices

Moving toward sustainability begins with materials. Today, you can choose highly recyclable packages that are also aesthetically appealing. For example, soy-based inks come in many colors and are highly sustainable. With simple changes like these, you can maintain exciting packaging while encouraging environmental preservation.

Examine how products are being packaged.

When improperly designed, even the most environmentally friendly box can deter sustainability. To start, evaluate the volume of packages and ensure that space is being maximized, reducing excess air room and downsizing when possible. This is great because oversized boxes are not only wasteful, but they also lead to poor dimensional pricing. Under dimensional pricing, smaller packages may be cheaper to ship than larger, bulkier ones.

Improve your supply chain

Other environmental practices throughout the supply chain can offset your overall green improvements. Take a close look at how your packages move from warehouse to doorstep. Even if you work with a 3PL partner, if they maintain questionable practices you need to rethink how this can impact your overall brand goals toward sustainability.

With today’s techniques, environmentally-friendly packaging options can still allow brands to preserve product integrity and uniqueness. As the ecommerce industry continues to expand, the environmental trend will only build, so embrace the change now.

Maria Haggerty is the CEO of Dotcom Distribution



Amazon uses a Fisher-Price Imaginext pirate ship as an example of product packaging being redesigned for frustration-free shipping. While the toy's packaging may be designed to be eye-catching on a store shelf, it can also be packaged as an item that is ready to be shipped from an ecommerce distribution center without the need for an additional box.

This trend of right-sized package optimization has been used by consumer brands ranging from food products such as coffee to electronics like printers and televisions.

Jeffrey notes that Vermont Teddy Bear ships in corrugated cardboard that also serves as the "home" for its regular-size 15-inch bears. These boxes contain a window for the bear to "look out" from, as well as an "air hole" so they can breathe.

Vermont Teddy Bear also right-sizes its 4-foot and 6-foot Hunka Love bears in boxes that Jeffrey says are no more than 2.5 feet tall.

"When you open it he's kind of in there," Jeffrey says. "You start to pull him out and you're just like, 'oh my goodness.'"

The idea behind that is twofold, Jeffrey says. First, it means customers don't have to deal with gigantic boxes that have to be discarded or recycled. Second, it helps to mitigate cost increases due to DIM weight pricing.

Poly Bags Becoming the Norm

Orders shipped in poly bags seem to be unaffected by the new DIM weight rates, which means you may want to look at your inventory and order profiles to see how many of your orders can be shipped in poly bags.

If you have inventory that can be shipped in poly bags and other inventory that cannot, a flag placed in the WMS can be created to determine whether a specific SKU can be placed in a poly bag.

In addition to DIM weight advantages, PAC Worldwide educates its customers on the recyclability of plastic, which can be a stored energy source. If kept in the same stream, most packaging plastics can have several lifecycles before they have to be recycled into something else, like plastic wood. Once they've reached that point they can be incinerated cleanly at extremely hot temperatures, generating an impressive amount of energy as a result.

Managing Return Rates

Because ecommerce has made it easier for consumers to shop, the National Retail Federation estimates 30% of ecommerce orders result in a return.

One way to keep waste down is to include a return label within a re-sealable poly bag or box. As part of its post-order email or text communications, the merchant can also include a link to self-print a return label.

While this may not be a big deal for omnichannel retailers that accept returns in the store, it creates the need for more complex reverse logistics and reusable packaging.

Tim Parry is a freelance writer and a former Managing Editor of Multichannel Merchant. @RealTimParry

MULTICHANNEL MERCHANT

MULTICHANNEL MERCHANT delivers in-depth analysis of trends and best practices, as well as news, research, tactical/how-to and resource information to help marketing, ecommerce, operations and senior management at companies that sell merchandise through multiple channels and deliver the merchandise to the customer wherever they choose- at home, work, store or other locations.