

Case Study

Protective packaging solution reduces costs by \$14 million, improves customer experience



Ship from Store

Today's retailers are aware that social media conversations about their products or services can significantly impact their business. When the comments are about great product performance and fast delivery, the impact can be extremely positive. However, when customers use social media to vent their frustration about product damages or over packaging, the retailer's bottom line is sure to suffer.

The latter was the situation with a major national retailer who was using "ship from store" fulfillment, as well as a few distribution centers to get product to customers. Their centralized ordering system would determine which "closest-to-the-customer" retail location had the items and then instruct that location to ship the product.

What was supposed to be an efficient and cost-effective fulfillment solution resulted in damages, excess packaging or both that were exposed by customers through social media. Further, the company's packaging costs continued to escalate.

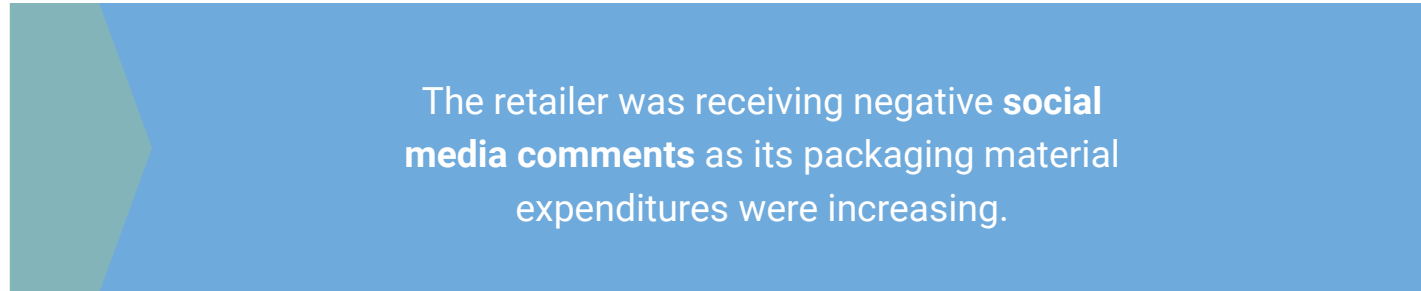
The retailer knew it was time to reevaluate their entire approach to packaging and fulfillment before the negative experience and increasing costs impacted profits.

The 'before' packaging scenario

Orders were fulfilled from a small location in the back of each store. Each location was supposed to be stocked with bubble and paper rolls, plus poly bags and/or mailers. It was left to the individual employee to determine which protective packaging solution they would use for a specific product. Sometimes bubble was used to wrap the item and sometimes paper would be crumpled and placed in the case to provide void fill.

Employees would decide on the fly what material to use and how much of it. Frequently, individual products were wrapped multiple times, resulting in excessive packaging. Occasionally, highly breakable items were placed in polybags or mailers almost insuring that the customer would receive them in damaged condition.

Clearly, this random solution approach was creating issues nationwide.



The retailer was receiving negative **social media comments** as its packaging material expenditures were increasing.

Analyzing the problem

Pregis' distributor partner was alerted to the problem. The retailer knew it needed to improve its methods and practices. They were open to new ideas that would improve the customer experience and also reduce packaging costs. The distributor knew that Pregis had a reputation as a trusted solutions provider and invited the protective packaging supplier to analyze the situation.

In addition to participating in multiple discovery meetings, Pregis visited six store locations to observe the packaging process. It became obvious quickly that there were significant differences in how employees at each of the stores approached the packaging process.

Although every location was supposed to have a supply of both bubble and paper rolls, the reality was that some had either one or the other. The lack of consistent material availability, absence of standardized processes and significant knowledge gap, meant that every employee approached packaging differently. With the median employee tenure at less than two years, that also meant that the processes was further complicated by the constant influx of new and temporary workers.

This approach is what led to higher damage ratios and packaging costs.

The Pregis solution

Pregis knew from experience that in order for the retailer to minimize its damage problems and over-packaging perception, the solution provided needed to insure consistency across the retailer's national footprint. Further, the solution needed to be supported by training and on-site materials that would eliminate the guesswork from the process.

The recommendation was made to supply each of the retail locations with Pregis AirSpeed® Fit™ which has been engineered to address the on-demand fulfillment needs of the omni-channel retailer leveraging ship from store.

The 11- x 13- x 9-inch AirSpeed Fit weighs 15 pounds, making it ideal for even the smallest "ship-from-store" spaces. It can produce a quilted wrappable void fill which cradles the product, forming a protective cushion. (The AirSpeed Fit can also produce 8- x 4- and 8- x 8-inch air pillows).

Pregis solution provides retailer with \$14.1 million annual savings.

- ➊ Reduced packaging
- ➋ Reduced storage space
- ➌ Increased productivity

The retail store employee has a number of responsibilities including providing customer service and stocking shelves in-between fulfilling orders. The AirSpeed Fit has been designed to enable everyone, regardless of their packing experience, to easily operate the machine and effectively package orders.

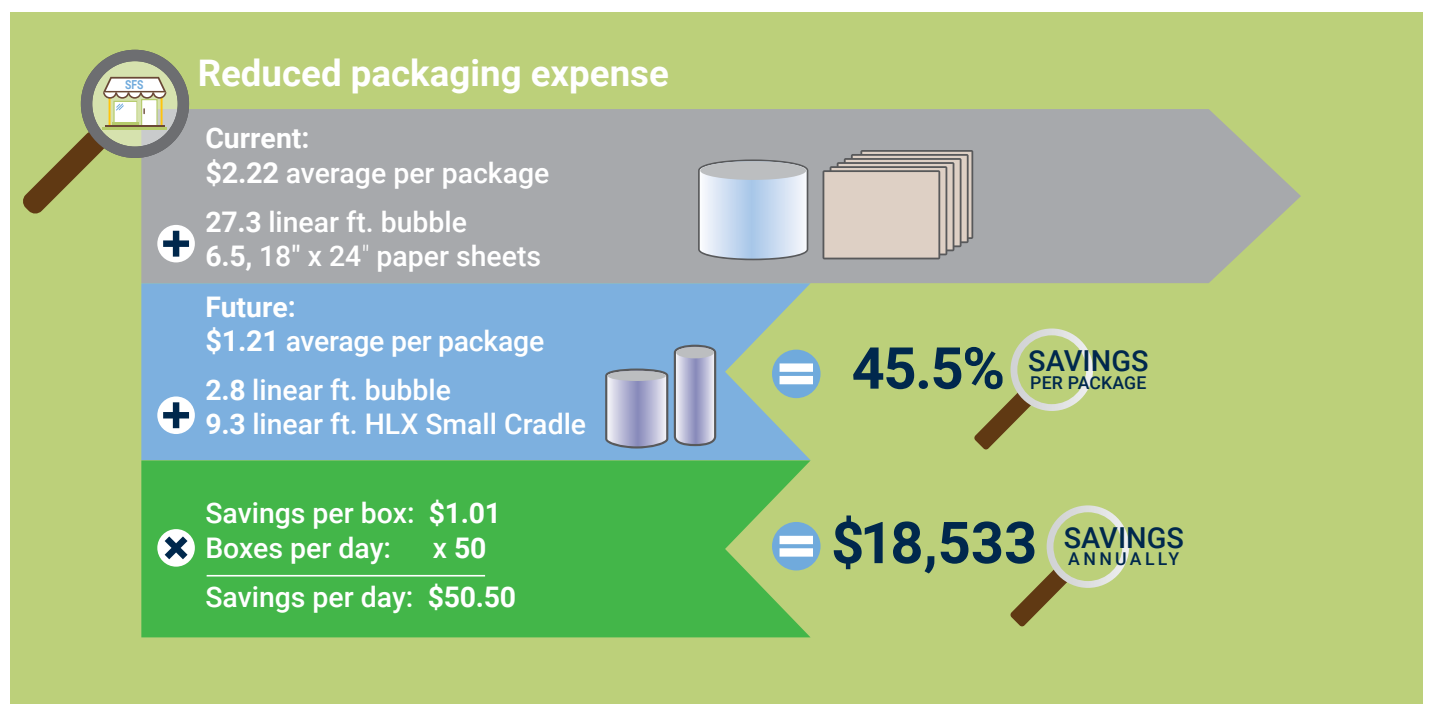
Because it makes packaging material on-demand, storage space required by premade materials is eliminated. For example, one roll of AirSpeed Fit material can replace up to seven rolls of premade bubble—a significant benefit for retail locations where space is at a premium.

The HLX small cradle pillow produced on the AirSpeed Fit machine provided the flexibility and protective attributes to allow the customer to eliminate paper. This created significant labor savings by eliminating minutes spent crumpling paper per box. The simplified inflatable void fill and wrapping system solved the packaging and inventory problem while protecting profits.

The bottom line

Pregis not only delivered a protective packaging solution that would minimize damages, reduce inventory requirements, improve use of retail floor space and create a consistent consumer experience, but it also provided the company with annual savings of \$14.1 million dollars (\$37,642 x 376 stores)! These savings were realized after an investment of approximately only \$1,000 per store or \$376,000. example, one roll of AirSpeed Fit material can replace up to seven rolls of premade bubble—a significant benefit for retail locations where space is at a premium.

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Hands on pack out demonstrated how lower price packaging materials actually cost their company twice as much!



Reduced storage space

Current:
 3 bubble rolls per store
 ✖ 41.6 cubic feet per bubble roll
 124.8 cubic feet void fill needed

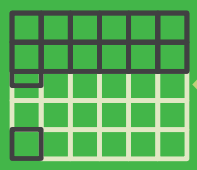


Future:
 124.8 cubic feet void fill
 ÷ 72.5 cubic feet void fill per HLX roll
 1.72 rolls of 1000' HLX Small Cradle



= **99%** REDUCTION IN STORAGE REQUIREMENTS

12.5 vs. 1 square foot of space:
 11.5 space savings
 ✖ \$17 per square foot annual rent for retail space*



= **\$196** SAVED PER SQ. FT. PER YEAR ON RENT

Reallocate for revenue producing activities!

*Source: <https://www.thebalance.com/what-it-costs-to-rent-a-building-space-2890493>

Ship from store definition

“Ship from store” is a more recent fulfillment strategy when brick and mortar retailers use a local store to fulfill an online order. The goal is to ship from the closest retail location to the customer which also has the desired inventory. The benefit is reduction of shipping costs, shorter delivery times and the ability to capitalize on existing physical store inventory.



Increase Productivity*

CURRENT:

Paper = crumple each sheet 4-6 times!
5 to 7 seconds for each sheet, several minutes crumpling paper
Bubble = wrap 3-5 times per item



FUTURE:

HLX = wrap once!



= 3 to 1 minute

300% AVERAGE
PACKAGING TIME SAVINGS

*Less crumpling,
less wrapping,
less packing time!*

50 packages
✗ 2 minutes
100 minutes day

100 minutes
✗ 365 days
36,500 minutes (608.3 hours)

608.3 hours
✗ \$31.09 average retail loaded**

= **\$18,913** LABOR SAVED
PER YEAR PER FACILITY

*Source: <http://smallbusiness.chron.com/average-percentage-labor-retail-businesses-71526.html>

**Source: Walmart



Bottom Line Savings

\$18,533 + \$196 + \$18,913

= **\$37,642** ANNUAL SAVINGS
PER STORE

\$37,642 x 376 stores

= **\$14,153,392** ANNUAL SAVINGS

\$1000 investment per store for on-demand packaging systems is a no-brainer!

Act now! For a free analysis of how you can reduce your damage-related expenses, contact: protectivesales@pregis.com or [877.692.6163](tel:877.692.6163).