

Contract Packaging

a report by

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Thomas Bacon is the President and Founder of Aaron Thomas Company, Inc., which was founded in 1973 as the need for a local contract packaging service that understood the needs of Max Factor & Company grew. He began his career with Max Factor in 1968. While there, Mr Bacon worked in the manufacturing department – quality control – and became their first Vendor Quality Coordinator with leadership responsibilities for both incoming component inspection and in-process field contract manufacturing with an eight-person quality assessment inspection team.

Consumer goods manufacturers and distributors, for several decades now, have been significant purchasers of contract packaging and manufacturing services. This cost-effective solution for right sizing their manufacturing and marketing businesses continues to be robust in today's economy. Every indication and survey indicates that this trend will continue at significant levels across the US.

A recent survey indicated that 84% of respondents from the cosmetic and personal care industry either currently use or plan to use contract packaging and/or a contract packaging manufacturer during the upcoming 12 months. This significant percentage of outsourcing represents an even greater percentage of contracted business activity than a previous survey taken, but this could be a sign of the improving economic conditions within the US and/or the fact that projects are now 'on again' versus being on hold or pending approval.

Many of the first contract packaging service firms provided simple, quick and easy solutions to excess filling capacity needs. Excess capacity then included specialty packaging for seasonal and holiday promotional packs, blister-card packaging and simple rework or labour-intensive projects that made more sense to contract out than involve internal labour. Offline projects included everything for inspection sorting non-compliant components, to placement of brushes into nail colour caps, or packing out of prepackaged product displays. Holiday packaging was always an entrepreneurial bonanza of projects involving gift sets, speciality products, rework and prepackaged assortment packs. Volumes were huge, projects were many, scheduled delivery dates were always measured in hours rather than days and sometimes in just minutes.

Location, relationships and flexibility seemed to drive the new industry's development and growth in the 1960s and 1970s. The 'never say no' attitude of successful contract service providers paid huge dividends to their entrepreneurial owners who took this attitude and opportunity to the extreme. There has been a falling out of the lesser developed firms and the industry has certainly changed over the last 40 years.

Today, the consumer goods manufacturer continues

in much the same manner as it always has. Many contract manufacturers specialise in one segment of the packaging industry or another, while marketing-oriented distribution firms continued to take their packaging materials to a new art form. However, after all of these years, the flexibility, location and relationship-specific contract packager remains a mainstay of many consumer goods manufacturers and distributors. The contract packager and manufacturer of today can purchase their own compounded bulk and packaging materials, and fill or package the product. This is added flexibility and resources that the contract packager can provide as a value-added service to basic packaging services.

The confident contract manufacturer or packager of today understands and works the needs of their client; they set service standards and publish them. Contract packagers and manufacturers have made significant capital investments into all manner of packaging equipment, staff, facilities and information technology. These firms have done their homework in that they have listened and learned what the marketplace requires in the way of information. They track their goals, as they understand that clients rate their performance and abilities. Outstanding contract packagers and manufacturers build upon their reputation, expanding their influence, while understanding that they are not indispensable service providers unless they can provide improvement year over year in delivered cost.

To accomplish their goals, packaging sales representatives conduct presentation meetings specifically planned and effectively targeted to what their current and new customers might need. A comparison of what they might be receiving from another source today with what their company offers and can offer today helps to bridge any gaps in building new relationships and profit centres. As packaging equipment continues to evolve into faster and faster product delivery systems, of ever-changing formats, the astute packaging service entrepreneur always has something new to talk about with both buyers of services or product development and marketing teams. Just as cosmetic company marketing teams try to develop an interest in

something you do not have, but think you want, the contract manufacturer and packaging firm sales entrepreneur does the same with his/her risk capital into new equipment and packaging technology.

Today's software and hardware technology can transform almost any laptop computer and video projection unit into a hands-on facility tour or equipment capability presentation. It is very interesting to observe clients as they are presented with simple digital video presentations about 'what we stand for', 'who we are' and 'how we do it'. If clients want to see the production line, the video can be taken, the images transferred to DVD and the entire start-to-end process delivered to them for viewing the next business day. Digital photographs showing packages, good or bad, are a mouse-click away. Images of non-conforming components, loads that have shifted during transportation are no longer days from viewing, but minutes. The age of accusation, blame or non-communicated desired results can easily be eliminated.

Sustaining the momentum of continual improvement is not always easy, but many understand the principle of 'the great understanding their weaknesses'. Measurement of progress via external measurement rather than internal measurement is the only way to compare business rivals. Where the principle of learning new technology is not important, the company is simply lowering itself to lesser performance levels. This has been witnessed over and over again.

It has been said that, if an organisation's employees are not learning from the top down and the bottom up, the organisation is slowly sinking. This simple process has been learned while filling nail colour containers. For many years, bottles were being filled on simple two-headed vacuum fillers in what were

then called short order rooms or in the main plant on rotary fillers. In the 1970s, the in-line, multihead fillers came along and took the piece-per-minute (ppm) rates from the low 40ppm to the range of 80ppm or more. In the 1980s, we were able to take part in the emergence of the mono-block filler. This new filler took the labour involved with the two-head vacuum filler or rotary filler and replace that with a three-person team filling 50ppm. No longer were mixing balls inserted with a home-made loading device, no longer were the brushes pre-inserted into the cap and started by hand and no longer did the label have to be manually applied.

The principle of continual improvement is true for all contract packaging providers but, while many firms lead by example, they then cut corners and their best team members tend to leave. Employees observe the way in which managers manage and what owners do; if the leadership lacks authenticity, the employees soon abandon the firm. Good contract packagers know that leadership is not a solo act. At the best organisations, staff perform at optimum levels, all while today's contract service provider is a flatter, leaner management structure.

Today's contract services entrepreneur also understands that his/her past successes do not cut future deals and that the customer's needs, opportunities and order volumes can change rapidly. These salesmen and entrepreneurial owners understand that project budgets are tight and that, by working backwards, they may show and demonstrate how their service will fit the need and budget goal. The 21st-century contract service provider never says no. Everything is negotiable, nothing is impossible and any deadlock is worked into a respectful compromise – a win/win solution better than either the customer or the seller would have imagined. ■