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David Sparkman, Editor **Volume 10, Issue 15** **August 1, 2022**

Dealing With Packaging Changes

Like everyone else working in the supply chain, packaging companies are finding it increasingly necessary to change with the times, and those changes will inevitably impact warehouse and transportation providers.

Many of the changes taking place were laid out in the recent research report, "Unpackaging Reality," recently released by R.R. Donnelley & Sons Co., a worldwide provider of marketing and business communications products and support services.

"Material availability disruptions, labor shortages, and transportation challenges will impact supply chain timelines for the foreseeable future," predicts Lisa Pruett, president of RRD Packaging Solutions.

"Know that advance notice is a powerful tool. A greater focus on forecasting, contingency plans, early order placement and acceptance of longer lead-times, these are all things that can help ensure availability and protect against those late-in-the-game disruptions."

To obtain its insights, RRD surveyed 300 U.S.-based, mid- to senior-level procurement, brand marketing, and packaging engineering professionals across a variety of industries.

Like most business functions, packaging decisions are being made in a quickly evolving market, the survey found. Virtually all respondents — 96% — agreed that overall operations (such as budgets, timelines and sourcing) have been impacted by supply chain disruptions and inflation.

The results of this survey demonstrate how these changing dynamics have influenced product packaging, ranging from the development of reprioritized materials to forging new supplier management strategies designed to meet online consumer needs.

"Market disruptions don't discriminate – you're not alone in making tough decisions and changes to your packaging strategy," according to the report.

Supply chain disruptions are said to raise concerns almost evenly spread across key functional areas of packaging. Product-related concerns were at the top of the list for 34% of respondents, packaging material-related concerns for 41%, and transportation-related concerns for 25%.

"With material delays happening in virtually every industry, we're working with more and more companies who have embraced a substrate-agnostic approach," offers Brian Techter, senior vice president of RRD Packaging Solutions

"This translates to improved availability for a wider variety of materials, which allows us to look at alternative stocks and production methods without losing momentum."

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Among the survey respondents, 65% say they have missed deadlines due to supply chain disruptions. 86% report increased timelines for a typical project. 41% say projects took up to four weeks longer than usual, another 31% reveal projects took up to three months longer than usual.

Material price hikes and supply shortages have presented the largest challenge over the past year, with 52% of respondents strongly impacted by material price increases, 46% by supply shortages, 37% by staffing challenges and 36% were equally strongly impacted by increasing demand and speed to market requirements.

"Gaining production efficiencies in the face of today's volatile market isn't impossible," asserted Joe Schewe, RRD Packaging Solutions' director of structural packaging design & engineering.

"Structural engineering can uncover several opportunities, including designs that reduce a package's footprint. The use of less material — or alternative, more-readily available options — also helps introduce new freight and storage savings."

Impact of Ecommerce

Ecommerce has increased over the past one to two years for over half (57%) of respondents. Of that group, 92% have seen their increases in packaging needs due to the growth of online orders.

This growth in ecommerce created an ongoing need for increased inventory, additional warehouse space, material substitutions and more staff.

Almost all (94%) of those surveyed agree that sustainability is a key consideration in packaging and label decisions. In addition, 66% of respondents said they have shifted to more sustainable packaging than what was used previously.

The RRD researchers found it interesting that 55% of respondents claim that recent supply chain disruptions moved their companies closer to their carbon emissions goals compared to further away.

Brands continue to use less material and are turning to recycled materials – both of which are helping them move toward more sustainable packaging," explains Pruett.

"Due to limited supply of virgin fiber, now is an excellent time to conduct a structural design engineering review. We often see this due diligence translates into material usage savings through the use of lighter weight paperboard materials as well as a smaller packaging footprint."

There was a broad willingness to pivot to different packaging materials in light of recent industry challenges – more than one third (36%) claim they are extremely willing to do so.

In addition, a majority of the organizations (81%) revealed that they did make changes to packaging design over the past one to two years.

These challenges have forced organizations to reprioritize packaging materials (68%), reprioritize budget (52%), reprioritize packaging design and aesthetics (49%), and sustainability goals (45%).

Nine out of 10 respondents indicate that recent disruptions to the global supply chain have caused their organizations to change how packaging is sourced; including 62% that have moved to greater diversification of suppliers.

Another 42% say they have outsourced manufacturing and/or fulfillment; 39% consolidated with fewer suppliers; 30% substituted specs; and 26% have chosen to reshore manufacturing processes to the United States from overseas.

These pressures also have spurred these companies to speed up their decision-making processes. Over the past one to two years, the majority of packaging decision-makers say they changed to planning ahead more by two to four weeks.

Only 13% of respondents report that they made no change in buying periods, while 19% say they currently are planning ahead by one to two weeks, and 33% add they are planning ahead by no more than two to four weeks.

On the other hand, 21% say they are planning ahead by one to three months, 12% plan ahead by three to six months, and 3% by 6-12 months or more.

A total of 78% agree that the top source of guidance or information used in planning comes from suppliers/vendors or direct manufacturers.

Following those are industry associations and publications at 44%; consultants at 36%; industry events and trade shows at 35%, and brokers and agencies at 26%.

FMLA Mental Health Advice

The Department of Labor issued new guidelines explaining to employers when the Family and Medical Leave Act applies to mental health conditions. The changes were announced by the department's Wage and Hour Division.

The division points out that the National Institute of Mental Health estimates that nearly one in five U.S. adults – or about 52.9 million people in 2020 – live with a mental illness, and that only about half receive the help needed.

"While many people coping with mental illness may face barriers to treatment including social stigmas, a lack of available services or financial resources, the DOL is determined to ensure that obtaining job-protected leave under the FMLA is not another obstacle to overcome when workers seek the mental health support they need," the division said.

"Mental and physical health conditions are considered serious health conditions under the FMLA if they require inpatient care or continuing treatment by a healthcare provider, such as an overnight stay in a treatment center for addiction or continuing treatment by a clinical psychologist."

This can include inpatient care for a mental health condition, which might be something like time spent in a residential care facility for treatment of an eating disorder or substance abuse, according to attorneys Susan Gross Sholinsky and Tiffany Sarchet of the law firm of Epstein Becker & Green.

Also qualifying as serious under the FMLA are events that incapacitate an individual for more than three days and require ongoing medical treatment, as well as chronic conditions, such as anxiety, depression or dissociative disorders

The employee also may take FMLA leave to care for a spouse, child or parent in these situations.

The guidance includes Fact Sheet # 28O: Mental Health Conditions and the FMLA and Frequently Asked Questions on the FMLA's mental health provisions.

Employees Look to Change Jobs

Staff shortages and turnover will continue for some time, according to the talent solutions and consulting firm of Robert Half.

Its biannual Job Optimism Survey of more than 2,400 workers in the U.S. found that 41% said they are currently looking or plan to look for a new job in the second half of 2022.

Those most likely to pursue new opportunities are: 25- to 40-year-olds (53%); technology professionals (52%); working parents (50%); and employees with their companies for 5 to 9 years (49%).

"There has never been a better time to explore the job market and opportunities that offer better pay, a greater challenge and more flexibility," said Paul McDonald, senior executive director of Robert Half. "In this market, even passive job seekers are flight risks, so it's crucial for companies to address employees' priorities before they even contemplate a career move."

Overall, 88% of workers feel confident about their current skill set and marketability, the poll found. More than half of those considering a change plan to pursue hybrid (55%) or fully remote (54%) jobs and 54% are open to searching outside their city.

The main reasons they are looking for a new job are to obtain a salary boost (65%); greater opportunities for advancement (39%); or to seek a career change after experiencing burnout (34%).

Among workers with their current company for a year or less, 10% said they regret quitting their previous job, and 26% would have met with their manager to discuss issues that made them leave and 17% would have asked for a raise or promotion.

McDonald stressed that employee turnover is bound to happen, but employers can mitigate risk by promoting job opportunities, discussing career paths and re-evaluating compensation regularly.

US Adopts New Truck Bumpers

The National Highway Traffic Safety Administration (NHTSA) has adopted a rule imposing new truck rear underride guard standards.

The standard was first proposed by NHTSA in 2015 and it embodies requirements similar to those that have been enforced in Canada for many years.

"Adopting these standards will require rear impact guards to provide sufficient strength and energy absorption to protect occupants of compact and subcompact passenger cars impacting the rear of trailers at 35 mph," NHTSA declared.

The agency said the upgraded protection will be help in crashes in which the passenger motor vehicle hits the center of the rear of the trailer or semi-trailer; and in which 50% of the width of the passenger motor vehicle overlaps the rear of the trailer or semi-trailer.

NHTSA Administrator Steven Cliff, said, "This new rule will improve protection for passengers and drivers of passenger vehicles while also meeting a critical mandate from Congress under the bipartisan infrastructure law."

Adopting these standards will require rear impact guards to provide sufficient strength and energy absorption to protect occupants of compact and subcompact passenger cars impacting the rear of trailers at 56 kilometers per hour (35 mph).

In 2019, 531 of the 2,132 passenger vehicle occupants killed in two-vehicle crashes involving large trucks died when their vehicles struck the rear of a Class 8 truck.

Safety advocates also want to see side underride protection mandated. David Harkey, president of the Insurance Institute for Highway Safety, said the NHTSA standard "is a completely inadequate standard that will make road users less safe and undermines the Biden administration's stated goal of working toward zero roadway deaths."

Growth Forecast For Cold Storage

Growth in online grocery shopping has triggered demand for new cold storage space, creating 3.3 million square feet of speculative development, up from just 300,000 square feet in 2019, according to a new report from CBRE.

"Many of our pandemic-era shopping practices have become normalized," said John Morris, CBRE's president of industrial & logistics in the Americas. "Just as ecommerce spending has driven a need for warehouses, increased online grocery shopping has increased the need for more cold storage space."

In October of 2021, refrigerated and frozen foods accounted for 9% and 13% of online grocery purchases, respectively. This has more than doubled and tripled from just 4% for both categories in early 2020, according to the market data provider IRI.

Overall, online penetration of total grocery sales reached almost 13% in 2021, up from 3% in 2019. This surging activity has driven the demand for new cold storage space. CBRE estimates the U.S. cold storage footprint to be about 225 million square feet, with a vacancy rate that mirrors the overall industrial sector at an historically tight 3.1%.

"In the past, the construction cost premium for cold storage space was a major barrier to entry, typically at triple the cost to construct compared to a dry warehouse," Morris observed.

"However, with heightened interest from institutional investors and a lack of supply, many developers are more confident in launching speculative projects."

That said, new entrants are faced with a challenging market to navigate not only because of high construction and operating costs, but also complex user requirements increasing the risk of not securing a tenant before completion, accordingt to CBRE.

Additional costs in cold-storage construction come from insulated metal panel installation, refrigeration equipment, blast freezing and fumigation, and the installation of premium quality concrete slabs and under-floor heating.

School Retail Sales to Stay Strong

As inflation continues to rise, one-third of retail consumers (38%) say they are cutting back in other spending areas to cover the cost of items for the upcoming school year, reports the National Retail Federation and Prosper Insights & Analytics.

They said research shows that families expect to spend more per person on both K-12 and college items this year as a result of higher prices.

"Families consider back-to-school and college items as an essential category, and they are taking whatever steps they can, including cutting back on discretionary spending, shopping sales and buying store- or off-brand items, in order to purchase what they need for the upcoming school year," says NRF President Matthew Shay.

He adds that the back-to-school season spending is second only to the winter holiday season each year.

Total back-to-school spending is expected to match 2021's record high of $37 billion. Families with children in elementary through high school plan to spend an average of $864 on school items, approximately $15 more than last year.

Back-to-school spending has increased dramatically since the onset of the pandemic as families adjusted to changes from virtual and hybrid learning, NRF notes. Compared to 2019, back-to-school shoppers are expected to spend $168 more on average, and total spending is up $11 billion.

Total back-to-college spending is expected to reach nearly $74 billion, up from last year's record of $71 billion and the highest in the survey's history. More college students and their families plan to shop this year compared to last and anticipate spending an average of $1,199 on college or university items, consistent with last year's record of $1,200.

Since 2019, total expected spending on back-to-college has grown by $19 billion and consumers are spending $223 more on average than they were prior to the pandemic. Nearly half of this increase comes from spending on electronics and dorm or apartment furnishings.

Like other recent holidays, shoppers are starting early to find the best deals and help spread their budgets. As of early July, more than half (56%) had started shopping.

Consumers may be motivated to get a jump on their back-to-class shopping this year given the impact of inflation and higher prices. A majority (68%) of survey respondents said they have seen higher prices on school items. Clothing and accessories and school supplies were among the top areas where consumers have noticed higher prices.

There is still plenty of shopping outstanding, with the vast majority (85%) of back-to-school and college families indicating in mid-July that they have at least half of their shopping remaining. The top reasons why consumers had not checked items off their lists are because they do not know what is needed yet and they are waiting for the best deals.

Given this year's inflationary pressure, traditional sales events may play a larger role for back-to-school and college shoppers. Compared with their pre-pandemic habits, back-to-school and college shoppers plan to concentrate their shopping rather than spreading it out across multiple destinations.

"We are seeing real shifts in the way people are shopping and spending on back-to-class items since before the pandemic," says Phil Rist, Prosper Insights executive vice president. "As a result, retailers are also shifting by bringing in inventory earlier and extending back-to-class offerings,"

The top five back-to-school shopping destinations are online (50%), department stores (45%), discount retailers (40%), clothing stores (37%) and electronics stores (28%).