The Comprehensive Guide to Your Overseas Packaging Supply Chain

How to manage the risks and unlock the benefits of a global packaging solutions network

ZENPACK

The right relationship with a global packaging manufacturer can be a competitive advantage for 2023 and beyond.

Today's business leaders are challenged with uncovering new ways to offer the best products at optimal prices.

Until recently, extending your supply chain Overseas came with few downsides. Most executives recognized how the Asian manufacturing landscape could unlock business-changing savings for their brands.

Even startups with little or no procurement experience were able to connect with brokers to leverage the competitive market of China's contract manufacturer network to lower the total cost for production and packaging to their end customers. The process wasn't without its hassles, but once the contracts were in place, a "set it and forget it" approach worked.

In the last three years however, the international supply chain has been under scrutiny. From risks posed by China's zero-Covid policy to catastrophic weather events and global geopolitical challenges, the global economy is facing shortages and delays never seen before.

"The experience has been challenging," says Amy Broglin-Peterson, industry consultant and Michigan State University instructor. Her small and mid-sized clients "found themselves pushed to the back of the supply line because they did not have the order size, capital, or relationships needed to take priority over big firms. And even if they could, the costs of shipping containers, which tripled from pre-pandemic levels, was often prohibitive." [1]

What are the benefits and what are the risks of engaging a global supply chain? And how can companies like yours take steps to minimize these risks today and through future disruption?

In this guide, we'll answer the questions you can expect to navigate when weighing the benefits of the Southeast Asian supply chain against your packaging needs. We'll also show you how Zenpack helps clients transform this area of their business from a cost center to a true competitive advantage.

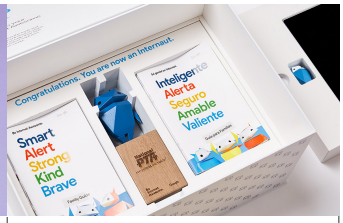
Did You Know ?

According to Bain & Company, most companies have supply chains that underperform, typically leaving 5-10 percentage points in potential gross margin gains—and often more—unrealized. [2]

Does Overseas Packaging Make Sense for Your Product Type?

The first step when weighing the benefits of Overseas packaging solutions is to consider the product itself. Although other categories may also find benefits sourcing from the Asian market, three categories excel in capitalizing on the technology, material availability, and skilled labor found especially in mainland China.

Three Product Segments Likely to Win with an Overseas Packaging Supply Chain



Consumer electronics packaging & packaging for speciality goods produced in Asia

(e.g. personal electronics, gaming devices, beauty tools, health tech, kitchenware, pet toys, etc.)

Approach

- **Establish dialogue with CM to ensure packaging solution will fit within streamlined CM processes to reduce touches (e.g. labor hours) and increase shipping efficiency**
- **Establish strict QA guidelines**
- **Set agreed upon contingency guidelines for late stage customization and changes**

Premium product packaging

(e.g. custom rigid box, premium sustainable packaging, custom primary packaging materials, etc.)

Approach

- **Take advantage of custom sourcing for specialty materials**
- **Match special projects to the supplier with the best technical equipment and expertise for the project**
- **Establish strict QA guidelines**

Low-quantity premium packaging

(e.g. kitted products, multi-item packs, gift sets, limited edition SKUs, influencer kits, etc.)

Consumer Electronics & Specialty Goods Produced in Asia

If your goods are produced in Asia, sourcing packaging solutions in that market is an obvious choice. Your contract manufacturer will likely bundle the cost of packaging into the total project cost. Keep in mind that your contract manufacturer could bid out your packaging to other providers in the market, increasing the chance of misunderstandings and quality issues while decreasing the window for dieline and graphic changes.

Although the CM will look for efficiencies in reducing the touches needed to manufacture and package your goods, they will source your packaging according to the dielines and engineering specifications your team provides. Many times, other packaging materials or manufacturing techniques can be leveraged to provide a better shelf presence or unboxing experience for the same cost.

Zenpack partners with our clients to close the gap between the contract manufacturer and your desired packaging solution. Because we maintain a full staff of packaging engineers, quality assurance managers, and logistics experts both in Taiwan and China, we're a second set of eyes throughout your manufacturing process. "We know how to work culturally within the contract manufacturing landscape," says Raymond Wang, Chief Operating Officer of Zenpack. "We're always on alert to potential risks our customers may not be aware of. Our on-the-ground team proactively sources solutions to ensure projects are delivered on time and on budget."

Case Study: Connected Health Device

kinsa

Challenge: The pandemic escalated the demand for digital thermometers, and Kinsa was already in production when a major US retailer requested new consumer information be added to their packaging.

Solution: "Zenpack was able to quickly jump in to collaborate with our existing contract manufacturer to update our dielines with new additions requested by the retailer, rather than applying a sticker. Our product looks great and still made our shipping window."

–**Srikant Mantha, VP Hardware Operations, Kinsa**

Premium Product Packaging

With the growth of direct-to-consumer products, the unboxing experience has never been more important. According to research done by Stora Enso in 2022, 95% of consumers say that packaging affects their online purchase experience, yet only 50% feel the packaging they receive matches the quality of the product purchased. [3]

Even if your goods are produced in North America, Europe, or elsewhere in the world, it may still be more affordable or necessary to source your packaging from Asia. Since the early 90s, China has invested heavily in the latest technology for producing rigid box construction (e.g. the packaging for Apple's products) as well as special foils, embossing, and assembly not available elsewhere in the world.

"The stereotypes about low-quality Chinese manufacturing are outdated," says Wang. "Almost all packaging for luxury items is produced in China. Unlike other markets, the volume of luxury packaging projects means that there is a large and available labor pool skilled in operating this specialty equipment. The options are endless for what can be created."

The right packaging not only elevates the experience of the customer while unboxing, but it also ensures that your product reaches the customer safely. Consulting group Gartner reports that today, 71% of supply chain leaders now have some ownership over customer service or customer experience and 51% now lead or have a dotted line reporting structure into new product introductions. [4]

Zenpack staffs a full team of quality control experts to ensure every aspect of the project meets the highest standards. Every project has a dedicated OEM leader in China trained in the latest tech and automated quality control. Zenpack regularly grades suppliers on technical & machine support, engineering & tooling support, sales & customer service, and financial fitness. If they fail to meet our customer's quality grade, we will terminate the relationship.

Case Study: Cannabis

etain

Challenge: New York-based medical cannabis company, Etain Health, was in the final stages of a packaging redesign when their supplier network stalled in sourcing a set of bottles, jars, and lids in a uniform finish.

Solution: "Zenpack had already designed our new paper cartons. When they heard about our struggle with the primary packaging, they created a custom supply chain where components from different suppliers are sent to a final location where a premium, satin-touch finish is added. We got the look and feel we wanted without any added complexity for our team."

– **Hillary Peckham, COO, Etain Health**

Low-quantity Special Orders

As brands see the value of e-commerce and micro-influencer marketing, custom low-quantity orders are becoming more commonplace. Even small quantity orders can quickly be set up and manufactured thanks to the abundance of specially skilled labor across Southeast Asia.

Suppliers in the North American market and those exploring re-shoring options quickly face challenges related to staffing across small volume, high-complexity projects. "Agile supply chains will also need skilled, flexible people. An agile supply chain workforce is comfortable working with and alongside advanced technologies, and personnel may need a wider range of skills so they can move between tasks as business needs change," advises McKinsey. [5]

As a custom manufacturer, Zenpack's team produces high-volume packaging projects as well as bespoke low-quantity special orders. Regardless of size, each project uses the same cutting-edge technology and material printing processes. Zenpack meets brands where they are in the design process, including starting from scratch to develop strategy, design structure, and fulfill contents thanks to a connected supply chain throughout Southeast Asia. And when brands need fulfillment in the US, Zenpack can design to ship flat to enable air freight.

With the right custom packaging provider, brands can confidently allocate their budget to production runs of any size without sacrificing quality or worrying about order minimums.

Case Study: Luxury Beauty

CROWN AFFAIR

Challenge: As a luxury beauty brand, presentation matters at all stages of the customer journey. Crown Affair's team fell in love with a specialty paper but needed a way to use this material for their consumer packaging without ruining their margin on those products.

Solution: "Zenpack was able to source the match for an expensive specialty paper we didn't think we could find outside of the UK. They were able to take our team's packaging vision and turn it into a reality. Once we landed Sephora and started to scale up, we never had to worry about our colors not matching on the shelf."

– **Elaine Choi, President, Crown Affair**

Avoiding Expensive Surprises

The "total landed cost" is the total bill of material costs plus the cost of shipping and insurance, duties, and taxes. It is an important consideration when determining where to source products because it can affect profit margins significantly. Aside from quality control or spec miscommunications, rush freight is the biggest risk when it comes to protecting your margins. Thankfully the delays that plagued 2020-2021 through the ports are unlikely to be repeated. The Wall Street Journal reports that "container delivery times are now back to pre-pandemic levels, freight costs are rapidly declining and logjams at key ports have cleared." [6]

To avoid unexpected fees, a reputable logistics provider can advise you on your total cost for freight, inclusive of all tariffs and taxes that will be incurred to receive your product. In some cases you may be entitled to tax-back and partial refunds from the Chinese government if paperwork is submitted correctly.

"We know freight is one of the biggest concerns for our customers," says Zenpack President Jeff Lin. "We know it's critical to work in collaboration with all parts of the fulfillment network to ensure that projects can be delivered on time according to their preferred shipping method. For small quantities, air freight can be the best option, and we hold dedicated container space for our clients to avoid the hassle of sourcing freight."

Conclusion

A strong relationship with trusted, long-term partners is the fastest way to unlock the benefits of an Overseas supply chain, including the best solutions for your packaging. Time spent on establishing these relationships pays dividends in both innovation and cost efficiencies; however, according to Harvard Business Review, CEOs spend just 1% of their time on average with suppliers. [7]

While the events of the last few years have given many companies pause about future sourcing, "Companies can't and shouldn't totally back away from globalization," says the Harvard Business Review. "Doing so will leave a void that others—companies that don't abandon globalization—will gladly and quickly fill. Instead, leaders should find ways to make their businesses work better and give themselves an advantage." [7]

"The secret to success for our clients is transparency, communication, and trust," says Zenpack Managing Partner Robin Tan.

Sources

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Going It Alone? Use This Checklist

To successfully navigate the supply chain as a small or mid-sized company, you'll need to spend time getting to know your fulfillment partners.

McKinsey reports that just under half of supply chain leaders said they understood the location of their tier-one suppliers and the key risks those suppliers face. But only 2% could make the same claim about suppliers in the third tier and beyond. "That matters because most disruptions originate in these deeper supply chain tiers." [5]

With a simple assessment you can start to gauge the resilience and readiness of your Southeast Asian supply chain network.

Here are some questions to get started:	Yes	No
Is there a language barrier between my team and our current supplier?		
Can our team and our contract manufacturing partner communicate quickly?		
Do we have transparency and direct communication with all subcontractors responsible for delivering our finished product?		
Can our current contract manufacturer quickly manage a disruption in raw materials or labor for our project?		
Are the rapid packaging prototypes we receive actually rapid?		
Do we have quality control assessments built into our packaging solutions?		
Do we have a process for late-stage changes or customizations to our final delivered goods?		
Do we have contingencies for ensuring on-time delivery?		
Do we have effective methods for re-engineering packaging and reducing labor or shipping costs?		
Do we know the cost implications for scaling production up or down?		
Do we know which components used in the production of our product are likely to become obsolete or difficult to source?		
Do we know how to increase sustainability without increasing total landed cost?		

To learn how we can help support you and your team, please reach out to us.
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About Zenpack

From design to production, Zenpack helps brands enhance the customer experience with premium packaging solutions.

Zenpack is an end-to-end packaging design agency managing everything from design and structural engineering to fulfillment and channel compliance. From Fortune 500 companies to newly established e-commerce businesses and startups, Zenpack empowers clients to get the packaging they need to establish their brand presence and increase distribution. The company operates five ISO 9001- and ISO 14001-certified manufacturing facilities that are GMI Certified and G7 Certified for performance and color consistency.

With over 50 years combined experience delivering award-winning packaging solutions, Zenpack ensures every product is packaged properly, shipped safely, and delivered on time. With teams located in San Jose, New York, Taipei, and Southern China, the company's global network ensures each project's success throughout the entire packaging strategy—you don't have to worry about overseas communication or delays when it comes to handling customer service issues.

Zenpack is here to help you solve complex challenges and plan for the future with your:

- ✓ **Packaging design and manufacturing**
- ✓ **Warehousing and fulfillment services**
- ✓ **Inbound shipping management**
- ✓ **Customs clearance assistance**

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