

On, Comet! On Cupid! On, Donder and Blitzen!

Dan Daley looks into the maw of fulfilment and logistics for the annual busy season and finds more of the same, only more so

The newspapers may proclaim the decline of the optical disc, but even if there are fewer of them, they're still mostly bunched towards the end of the year in an annual madness known as the holiday selling season. Like hurricanes or typhoons, those who will be impacted know when it's coming and where it's coming from. But, also like natural phenomena, intensity and duration can waver dramatically, meaning that even with all your radar systems working, you can never be quite certain just how ready you really are.

"The hard part is realising that you're not as good at a particular part of the packaging process as you might like to think you are under the pressures of the end-of-year season," says Karl Renwanz, president of Atlantic Pacific Media, which operates seven manufacturing and mastering facilities across the US. The manufacturing plants all do most of their own packaging, but Renwanz says they have learned the hard way that if the packaging calls for anything even slightly unusual, it's worthwhile to outsource.



"When it gets really, really busy, sending the packaging out to other facilities is far less disruptive to the client in the end," he says. "You have to make that decision based on the type of packaging you're confronted with and how it sits within all the other stuff that has to be packaged and moved in that short fulfilment window."

There are other considerations when outsourcing. Renwanz says he tries to find pack partners close to his own facilities, both to minimise transport time and costs between them and to ensure that he can drop in for an unannounced inspection from time to time. "One of the realities of any kind of business is that once someone has your business, they might be slightly less eager to please than when they were still trying to win the business," he says.

"The bottom line is that, as the media manufacturer, we're still responsible for getting the package assembled and shipped on time and on budget. We've become pretty adept at recognising those types of situations because we've made the mistake of not outsourcing at critical moments in the past and learned from those mistakes."

Expand to fulfil

Substantial changes in the packaging department at disc manufacturer OEM in Charlotte, North Carolina, came about this year as part of the outcome of a strategic shift in its customer base. The company added new clients in both the home entertainment and corporate domains, says OEM president and CEO Ray Zerrusen. Corporate DVD has begun to move from plain vanilla sleeves to more elaborate packaging styles, including Digipaks and green packaging solutions (the packaging has become part of the ecologically friendly corporate message), and home entertainment products are using more varied packaging designs to help differentiate products at retail.

As a result, this year OEM added 83,000 new square feet of space dedicated to packaging, which was finished fitting-out in July, just in time to ready itself for the busy season. The company installed an Ilsemann DVD caser and disc sleeve, as well as expanding its manual

Jose Garcia, assembly and packaging operations manager at Sony DADC

packing line, and it added new distribution and fulfilment services. It also created a new senior management position, recruiting Joe Eckerle, former manager of packaging operations for Technicolor at its Charlottesville, Pinckneyville and Memphis locations, to run OEM's newly expanded pack and fulfilment operation in Charlotte.

"We expect a hectic autumn from additional disc and packaging volume, as well as a greater variety of packaging types," says Zerrusen. "Corporate clients are transitioning from spindle delivery and simple packaging to more elaborate requirements, so we're accommodating that trend." It's also part of a strategic effort to derive more revenue from margins of a greater number of services. "Packaging is good area in which to make the

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Changes in the media manufacturing industry in particular and in business in general, and in politics, will affect packaging this season. Within media, an extended round of corporate consolidations and acquisitions, such as Zomax being bought by Inoveris, have left the upper tier of manufacturing with more capacity than ever before. This is expected to significantly reduce, and in some cases eliminate, offload between plants. Less overflow manufacturing going to second-tier plants also means less offload of seasonal packaging.

That's not necessarily a gloomy scenario. Karl Renwanz suggests that, as packaging becomes more unique and specialised with content owners seeking ways to differentiate and add value at retail, automation can become disrupted, which is anathema to the high-volume production model of top-tier manufacturers. "Oddball packaging interrupts their automation and that gives second-tier guys an advantage, because we can be more agile," he explains. "If the load is right, they'll turn to companies that have the expertise and the manpower to handle special packaging."

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Clockwise: Flexibility for manual packaging; Melodie Gee, COO of Zomax; Some plants are expanding packaging capacity

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Closing the window

What most everyone agrees on is that the busy season production window continues to shrink. The shorter turnaround demands are highest for new-release entertainment products, and catalogue product also competes for capacity. Zerrussen says that corporate work helps to offset the peak period rush to some extent. "That acts as a counterbalance, but entertainment still drives the DVD market," he says. "The peaks are as high and tight as ever."

Jose Garcia, assembly and packaging operations manager at Sony DADC's plant in Terre Haute, Indiana, agrees that the window continues to narrow with each passing year. "We expect a strong peak this year and we're doing all we can to prepare," he says. That preparation includes a preventative maintenance program that ran over the summer to put pack machines back online after thorough checks. DADC also streamlined some of its packaging operations, enabling the company to reduce the amount of manual packaging needed for certain package

components and automate them. "Once we decided that we had enough volume for certain packaging actions we could justify investing in additional automation."

But the big news at DADC this year, of course, is Blu-ray. Garcia says the plant doubled its BD packaging capacity in anticipation of hi-def's first big holiday season with consumers, as player prices continue to drop and titles multiply. Part of the pack capacity expansion has to do with the slight dimensional variations of the BD boxes from the two main suppliers, AGI and Viva; also, one of the two cases features a security latch that is engaged during packaging, an additional step that had to be programmed into the line. "But Blu-ray packaging is fully automated," he says.

Automation isn't as clear-cut for most, though. Melodie Gee, COO of Zomax, says an influx of customers whose products are distributed at retail this year has increased demand for a considerably wider variety of packaging. "They want packaging to help with

IMMIGRATION ISSUES?

The politics of immigration could play havoc with manual packaging situations this season. In the US, a failure by the Bush administration to enact new national immigration reform has prompted states and municipalities, egged on by conservative talk radio, to step up their own enforcement of existing immigration laws. Raids on construction sites regularly net dozens of undocumented workers; even seemingly simple enhancements, such as cracking down on unlicensed driving, as Tennessee has done, have crimped the ability of migrant workers, legal or otherwise, to reach job or shape-up locations. Illegal workers prize holiday-season manual labour jobs since their need arises just as the agricultural work that brought many over in the first place fades with the last harvests.

"It used to be more consistent," comments Karl Renwanz of Atlantic Pacific Media. "You could better predict your seasonal labour needs and what the manpower pool was going to be like. But over the last two years that's become much tougher. And I think tightened enforcement of immigration laws plays a big part in that." Renwanz adds that his company now will see the need to add between 25 and 50 temporary workers outside of the holiday season, as corporate clients increasingly use DVD as a promotional tool. "That could become problematic if there's no predictability in the manpower pool," he says.

OEM's Ray Zerussen disagrees. He says OEM's labour pool has historically been a combination of US citizens and immigrants, reducing the threat of undocumented workers on the line. Furthermore, the slowing US housing construction market will keep the labour full, he agrees. "I don't see any temporary worker issues in the immediate future, not for this season," he says.

product differentiation at retail, but that doesn't work in favour of automation," she says.

Zomax continues to see an increase in pack customers that are not also disc customers, Gee adds; some may not use a disc at all in the package. "We've been moving in that direction for a long time now," she says. "We need a diversity of customers to stay healthy, but it follows that that would also lead to greater diversity of packaging types and more manual packaging."

That's the kind of knock-on effect that packaging has become used to. If, as it appears, the media manufacturing business is going to have to live with a multi-format landscape for the foreseeable future, the packaging that surrounds all those formats will continue to be an expanding wardrobe. "The deadlines are tighter and the packaging is more diverse," says Renwanz. "I figure this season will be a lot like last season – only more so." ●