A Guide To Contract Packing

Whether you’re lacking the necessary equipment, running out of manufacturing space, or are soft-launching a product and want to test the waters, contract packing is a way of solving several issues your business might be facing.

This comprehensive guide walks you through what contract packing is and how it works, the benefits of outsourcing to a contract packer, and how you can approach choosing one. We also talk about the risks involved in outsourcing packing, ensuring that you have all the information you need to get started today.
What is Contract Packing?

Contract packing is when a retailer or manufacturer outsources their packing requirements to a third party company. Known as a contract packer, this company then handles the packing and redistribution of the product. More broadly, it’s a business-to-business contract wherein the task of packing products is carried out by another company on behalf of a client company.

Also written as co-packing, contract packing is particularly useful if a business requires specialised types of packing, such as vacuum sealing or sterilised packing. That said, you can outsource contract packing even if it only requires regular boxes or plastic bottles. In any case, the main purpose of this service is to make products ready for distribution quickly and efficiently.

With contract packing, the client company specifies the requirements, such as the desired packaging materials, containers, and the amount of products per pack. The contract packer takes care of the rest, including quality control, bottle filling, and sometimes even label design.

Quality control is particularly crucial in order to ensure zero spillage as well as safeguard the products from spoilage and physical damage.

Different Types of Contract Packing

While it may sound straightforward, there are actually many different types of contract packing, and the type you choose depends on the packaging materials and containers you need, as well as what extra services will be required, like label design or warehousing.

Here are some examples of the different types of contract packing available:

1. Contract bottle filling

Contract bottle filling is one of the most common types of contract packing that is relied on heavily by the food, beverage, pharmaceutical, and chemical industries. Hygienic processing and the use of sterile containers are particularly important in contract bottle filling.

Businesses in the aforementioned industries may lack the equipment, expertise, space or manpower necessary to fill bottles in contaminant-free environments. Contract packing companies, on the other hand, are usually able to accommodate these requirements with their advanced manufacturing facilities. Their ability to do this should be reflected in the certifications they hold, such as the ISO 9001:2015 Quality Standard, which ensures that their processes meet industry standards.

Contract bottle filling includes bottling various types of liquid into their required containers, which are usually plastic or glass. In chemical bottling, for example, the following liquids can be bottled safely:

- Acid solutions
- Base solutions or alkalis
- Flammable liquids
- Bleach
- Solvents
- Pure water
- Toxic solutions

Safety is one of the main priorities of bottling chemicals, especially when it comes to corrosive, toxic or flammable liquids. In these cases, many client companies prefer to outsource their contract packing needs as a way of minimising the risks posed to their own staff. These companies may simply not have the equipment or safety procedures necessary to ensure the safe handling of hazardous liquids.

Chemical bottling companies, on the other hand, will have their own team of highly trained workers who are experienced in handling dangerous or sensitive liquids. As well as this, contract bottle fillers often come equipped with specialist equipment that handles large quantities and ensures precision, such as:

- Gravity-fed filling stations
- Pump-filled bottle filling equipment
- Volumetric filling equipment
- Semi-automatic filling machines
- Peristaltic pumps
2. Custom labelling and design

Contract packing services may also include custom labelling and designing of your product. This gives the client total control over the outcome of their product, from the colour of the packaging right down to the design of the labels. This gives the client a chance to ensure that the final product has a unique identity and aligns with their branding.

With that in mind, all design specifications must be provided by the client company, from the size, shape and colour of the containers, to the graphic design of the labels and even what information needs to be included on them, such as a list of ingredients. Alternatively, some contract packing companies will offer in-house graphic design services that the client can use to either come up with a new aesthetic, or rebrand the product altogether.

Of course, you can choose to only outsource your product’s labelling and barcoding, rather than outsourcing the packing and labelling process entirely. Indeed, while packing and labelling services usually come hand-in-hand, there are some companies that specialise in one or the other. That’s why it’s important that you properly research the contract packer you decide to work with and whether their services will meet your needs.

3. Hand packing

Some products are too delicate or fragile to be handled by machines, especially if they have irregular shapes or involve a combination of different items. Hand packing is commonly outsourced in these types of scenarios, and is particularly useful for items that are hand assembled into gift sets, such as miniature hobby kits.

4. Flow wrapping

This type of contract packing is common in the food processing industry. During flow wrapping, fresh food products, such as fruits or vegetables, are wrapped tightly with plastic film as they move along a conveyor. This provides protection from dust and other contaminants during transportation, as well as when the products are displayed on store shelves.

5. Shrink wrapping

Shrink wrapping differs from flow wrapping in its process, which involves loosely applying a film around a product and then using heat to shrink it securely to that product. Various products can be shrink wrapped, including books, food items, and toys. Similar to flow wrapping, shrink wrapping provides protection for the products.

6. Vacuum packing

Vacuum packing is another service that’s often confused with shrink wrapping. The main difference is how the packaging material moulds to the product: in vacuum packing, all the air is removed, resulting in an airtight seal, which is something shrink wrapping cannot provide. Although shrink wrap is tight, it’s not 100% airtight. This is why vacuum packing is commonly used in wrapping food products, in turn reducing their volume and extending their shelf life.
7. Pouch and sachet packing

Some products can be sold in retail packs such as pouches and sachets. These products are ideal for customers who don’t want to purchase large amounts in bulky containers, especially when travelling. Some examples include shampoos, toothpastes, lotions, and condiments like ketchup and mayonnaise. Sachet packing is also necessary for powdery or granulated products.

8. Batch coding and traceability

Batch coding is different from barcoding: the latter is about pricing while the former is about tracking. Batch codes allow wholesalers and retailers to easily trace the information about their products, from their production date right through to the raw materials used. Outsourcing to batch coding facilities gives you the chance to easily include additional information about your product, from its expiry date to its serial numbers.

9. Warehousing

Warehousing is a component of contract packing, but it can also be a specialised service in and of itself. For example, if a company doesn’t have the facility to store all its inventory, warehousing services can be used to provide a secure space and inventory management. Usually, this is cheaper than renting out a new storage facility altogether and has the added benefit of freeing up more of your time.

10. Reworking and remedial work

The product packing process takes place inside the manufacturer’s warehouse. If you are outsourcing to a contract packing company, this will be their facility. Broadly speaking, product packing services involve packing the product into a suitable container that meets the client’s needs and design specifications. But the process of product packing includes a few more steps:

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Contract packing services often include custom labelling
What is the Process of a Product Packing Service?

The product packing process takes place inside the manufacturer's warehouse. If you are outsourcing to a contract packing company, this will be their facility. Broadly speaking, product packing services involve packing the product into a suitable container that meets the client’s needs and design specifications. But the process of product packing includes a few more steps:

- **Step 1 - Designing the packs or containers:**
  
  This can either be done by the client or by the contract packing company, depending on the client’s requirements. Using the specifications provided, prototypes of the product are then made for approval. Corrections and modifications can be implemented in the process.

- **Step 2 - Managing and controlling inventory**

  This step includes receiving and auditing the products or components being packaged. Other items that are handled at this stage include any relevant materials like manuals, inserts or promo stickers.

- **Step 3 - Printing and producing components:**

  While the client company can choose to provide the packing materials, in most cases it’s the contract packing company that produces the packaging materials or containers. These include things like folding cartons, shrink sleeves, and bottles. The graphic design and labels are also printed on the packages at this step.

- **Step 4 - Packaging the products on assembly lines:**

  Most products include various accessories and parts, and these are all assembled at different stages of the packing process. This manufacturing process is called an assembly line, and it helps to streamline the entire packing process whilst ensuring that every product part is sorted and handled carefully.

- **Step 5 - Warehousing and distributing the products:**

  A comprehensive contract packing agreement can include warehousing and the distribution of the products that have been packed. This is particularly important if the client company lacks the space to store the products, or if its distribution networks are insufficient.
Why Outsource Your Contract Packing Needs?

There are two main reasons for entering into a contract packing agreement: either you have the resources but not the means to increase production, or you don’t have the resources needed to pack and distribute your products.

Whether you’re scaling up production or lack the necessary resources, you’d have to invest a pretty penny in expensive equipment, machinery, staff, and training if you wanted to pack your products in-house.

Outsourcing your product packing needs provides a convenient and cost-effective solution to this because it cuts out all the nonsense. The major benefits of choosing contract packing include better equipment and facilities, valuable industry experience and advice, as well as the cost advantages that come with economies of scale. You might also decide to outsource your packing needs if:

- You lack the in-house equipment or technical know-how required to do it yourself
- Investing in your own packing equipment and facility is not economically viable
- It’s more cost-effective to contract a packing company than to centrally pack your own products
- Your packing needs require specialised equipment, industry knowledge or labour skills
- You’re scaling up and want to benefit from the economic viability of shifting products in bulk
- You have a short-term need for repacking services
- Your warehouse is full and unable to accommodate all products for storage
- You need to downsize your company personnel or facility

Examples of Product Packing

Product packing involves various materials and often multiple layers of packing materials. These are necessary to protect the products from impact and environmental hazards, such as moisture and dust. Here are some common examples of product packing:

- Resealable packages
- Inverted squeeze bottles
- Protective seals
- Carton packing
- Canned goods packing
- Bubble wraps
- Vacuum packing
- Styrofoam packing
Product packing can also include specialised containers and materials, depending on the product. For example, for industry sectors like chemical manufacturing or bulk manufacturing, the following types of packaging materials are often used:

- HDPE jerricans
- Hermetically sealed ampoules
- HDPE or glass bottles
- Metal, plastic or composite drums
- 1,000L IBCs (Intermediate Bulk Containers)

How to Choose the Right Contract Packer

Once you’ve decided to outsource the packing of your products, it’s important to carefully screen the contract packing company you’re considering. A rule of thumb is to compare at least three top choices on important factors to you, such as location and pricing, so that you end up with a contract packer that meets your specific needs and offers competitive rates.
Questions to Ask a Contract Packer

Before meeting or speaking with a contract packer, it’s always a good idea to write down a few questions that will help you gauge their competency, experience, and whether they’ll be able to fulfill your exact requirements.

Here are a few generic questions that you can use to screen potential contract packers, but you can make them as specific as you like:

- Do you have experience working with companies that have products similar to ours?
- If yes, what were the challenges that you faced and how were you able to deal with them?
- Do you have specialised or generalized contract packing experience?
- Can you give us a list of past or current clients that you have/had a contract with?
- What is the basis of your pricing for a packing project?
- How can you assure that the quality of the packing services that you offer is high?

How Much Does Contract Packing Cost?

The cost of product packing depends on several factors, not least of which is your industry, type of business, and the type of product that needs to be packaged.

Here are some other factors that affect the cost of contract packing:

- **Material cost**
  
The type of packaging you need is one of the main drivers when it comes to contract packing costs. For example, sachets and flow wrapping are among some of the lower cost packaging materials, while more expensive options include things like large HDPE containers or packaging that requires hand assembly.

- **Volume of orders:**
  
  How many products you contract a company to pack is another main contributor to the overall cost. Remember the economies of scale here: the higher the volume, the more efficient the production and the cheaper the price. If you only have a small number of products, or want to do a smaller trial run first, make sure to speak to the contractor about how this is priced.

- **Competition with other customers:**
  
  It’s important to remember that you won’t be the only client of your specific contract packer. As with anything, if a company or service is in high demand, its prices are often driven up.

- **Design complexity of the packages:**
  
  As we mentioned earlier, if a product package has a complex design that requires hand assembly or more specialised packing techniques, you should expect the cost to increase. This will be in response to the additional hours, labour, technical skill, and specialised equipment that the contract packer will need to use.
Risks Involved in Outsourcing Contract Packing

Carefully screening a potential contract packing company is crucial in minimising your risk. While you may have conducted thorough research into your chosen contract packer, asked them all the relevant questions, and felt satisfied with the overall agreement, risks remain - just as they do in every aspect of business.

Here are some of the risks you might want to consider before entering into a contract packing agreement:

- Incorrect labels
- Product recalls
- Undeclared allergens and other harmful content
- Intellectual property rights issue
- Low quality packing
- Delayed production and delivery

There’s always the potential for things to go wrong and for mistakes to be made. If you’re concerned, you can always address these points when you speak with a potential contract packer. Their response to how they would avoid or mitigate these risks will then help you gauge if they are a trustworthy and competent company.

How to Get Started With Outsourcing Contract Packing

If you’ve now reached the point where you’re considering outsourcing your product packing needs, you may be wondering where you even begin. Below is a step-by-step guide on how to get started:
1 - Identify your exact needs and what problem you need solving:

Clearly understanding your own business requirements will make it easier to find a contract packing company that suits you.

2 - Research contract packers online:

Hop onto your favourite search engine and look for contract packers that offer the services you need at reasonable prices. You can then shortlist your top contenders.

3 - Arrange a meeting or phone call:

Where possible, it’s important that you meet face-to-face with your prospective contract packer so that you can gauge what they’re all about. Whether in-person or on video call, this will give you the chance to ask all your questions. You might also want to audit their facility (at ReAgent, for example, we welcome audits from our customers as we know it will give you the peace of mind you need, and it helps to build our working relationship).

4 - Request a project proposal:

You can ask for this from each of your shortlisted companies so that you can compare them. In general, a project proposal should explain:

- The scope of the work
- The services being provided
- How much it will cost
- A payment schedule

5 - Make your choice and finalise the contract:

Once you’ve chosen a company to pack or repack your products, you can finalise and sign your contract. At this stage, you can also:

- Specify the quality standards that you need
- Agree on the quantity and delivery dates
- Ask for some prototypes and suggest any improvements

6 - Start production!

That concludes our comprehensive guide on contract packing. We hope that after reading, you feel more informed about the process and better equipped to make the all-important decision of whether to outsource your packaging needs. If you would like to discuss your specific requirements any further, feel free to contact our friendly team of experts on 0800 9555 798.