TAYLOR

WHITE PAPER

How to Take Control of Your Labeling Program

Introduction

Labels are a critical component of the production process, supply chain and the product itself. They communicate vital safety and instructional information, guide the movement of goods through warehousing and distribution, and promote brand equity. Yet too often, these small and inexpensive production components are overlooked or ignored completely. And when they are, the consequences can be far reaching. Injuries, product liability claims, loss of brand image control and production line shutdowns are all possible when labels fail to perform as required.

Continuous and consistent oversight of these printed production parts is essential to maintaining productivity and minimizing liability. This is best achieved by centralizing responsibility for labels, either through an internal oversight team or a strategic partner who assumes responsibility for all label-related processes and vendors. This ensures the right level of focus and management is applied across all labeling environments.

The Importance of a Well-Run Label Program

Label programs are easy to overlook right up until something goes wrong. Consider the effect of having to shut down one of your production lines because your UL labeling process is out of compliance. Or, the potential liability exposure if someone is injured using one of your products and your labels are later found to be non-compliant with current ANSI standards.

Brand Image

Your brand is often represented through product and packaging labeling. It is critical to maintain brand standards within a label management program or significant damage can be done to your image and brand perception. Consumer perception of your brand can suffer if your brand colors are represented inconsistently or if the labels on your product begin to fade or peel off.

A poorly engineered label could cause your customers to question the quality of your entire product resulting in extensive damage to brand loyalty.

Anti-Counterfeiting

Understanding the role secure labels can have on anti-counterfeiting is also of growing importance as seizures of counterfeit product labels has seen a substantial increase. Labels are often counterfeited and shipped separately, because an unlabeled item cannot be tagged as counterfeit. Unbranded items are then joined with counterfeit labels to create a counterfeit product.

During 2020, U.S. Customs and Border Protection officials ***seized 26,503 shipments*** containing counterfeit goods worth an estimated ***$1.3 billion dollars*** — had they been genuine products.

SOURCE:
www.cnn.com/2021/12/05/us/cbp-counterfeit-handbag-seizure/index.html

Total Cost Management

Total cost management is another critical factor to consider. An enterprise label management program enables you to balance competing priorities for durability versus cost, staying in stock versus obsolescence risk, and engineering resources versus compliance failures.

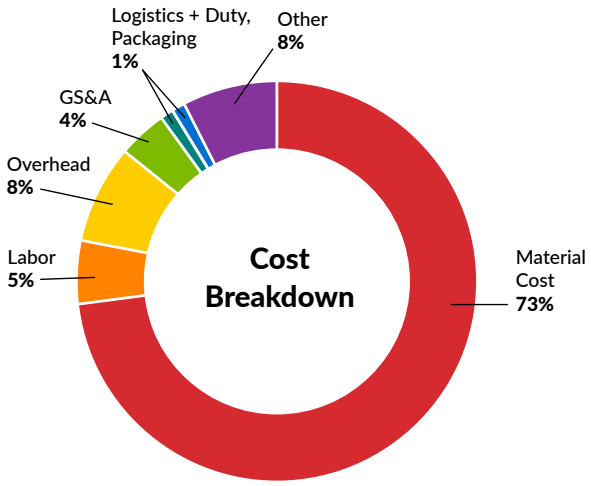
A well-run label program will have resources and processes in place to optimize label design for total cost, maintain brand integrity, and reduce risk of non-compliance and line shutdown due to labeling issues.

Label Program Components

Implementing a label program can be daunting to consider but focusing on the main processes makes the task much easier. By simply following a label from concept to final ongoing use, we can form a high-level view of the components of the engineering and design component.

Label Engineering & Design

The first step in the process is to design the label starting with its fit, form and function. This is often an under-emphasized component of the program. Consider the fact that 70% to 80% of the cost of a printed part is locked in during the design phase and you quickly begin to understand the importance of this program component.



Likewise, turn times can as much as double in some cases due to design constraints, reinforcing the importance of engineering and design to a label program.

Understanding the core purpose of a label is the first critical step. From there we look at where the label will be affixed and the durability requirements. These points of information will provide the needed insight to design the label for the right size, adhesive, face stock and protective coating if needed. Within this process, compliance to industry standards like UL, ANSI, REACH and RoHs must be considered.

Inventory Management

Having the right quantity of the right labels on hand at the right time is the goal of any label program. The challenge is to meet this goal while balancing against overstocking or constantly paying for costly rush orders to avoid out-of-stock situations. A well-designed program will use a data-driven demand forecast approach to minimize on-hand inventories while optimizing least-cost production models to control cost.

Many manufacturers have implemented vendor-managed inventory (VMI) to improve label inventory management processes. This requires greater collaboration with label suppliers and highlights the need for a strategic approach to label management programs.

Quality Management

As with any top-performing organizational process, we must engineer for, measure and manage the quality of the overall label program. A top-down view of quality is needed in order to have a properly functioning program. Label performance at a parts per million (PPM) view, on-time delivery and purchase order health are among the many key performance indicators (KPIs) commonly tracked in a well-run program.

Ongoing Process improvement

Over time, the way you run your production and logistic process will change. You will introduce new products and make changes to existing product. New adhesives and label face stocks will be introduced into the market to address material science advances, green initiatives, and durability requirements. A preplanned approach to assessing your label-related operations and label designs provide assurance that your labels and labeling process will remain robust over time.

Label Program Challenges

Out/Overstock Situations

One of the most stressful and costly challenges of label management is avoiding stockouts and obsolete label inventory situations. Shutting down a production line can cost a manufacturer hundreds of thousands of dollars per day. Allowing this to happen due to a label that cost pennies is hard to explain to upper management.

Equally hard to explain is tossing thousands of dollars of obsolete labels that were over ordered to make sure you never run out or to "get a lower price". Labels are typically procured from external print providers and produced in large quantities to minimize the cost per piece. However, as processes and models change, products are upgraded, and as regulations and standards evolve, printed parts become inaccurate and out of date, resulting in costly waste and inventory obsolescence.

Fragmented Processes

In large manufacturing organizations there may be numerous locations designing, ordering, inventorying and using label parts. This fragmented reality can result in serious degradation of the overall health and cost of a label program. Failure to standardize material construction, suboptimal label production execution, failure to consolidate vendors, and inability to leverage total label requirements to reduce cost are all common label management issues. In one study, a company admitted to using 92 different label vendors and another organization confessed that it had no idea what labels its 150 locations used. In each case, their label programs represented several million dollars in annual spending.

Engineering Drawings/Design Management

Most companies are fairly adept at the original engineering/design process but most struggle with the ongoing maintenance of these records. Engineering and design resources are often overburdened and hard to access for this topic. Label designs, production methods, material specifications and industry compliance requirement change over time. These changes require diligence and a strong process to keep up to date.

In far too many situations, only the company producing the labels has the information and records of the current label design and specifications. Reviews of existing designs and specifications to live label samples often demonstrate more than 30% out-of-date/inaccurate information. In the worst cases, companies find themselves handcuffed to an underperforming or overpriced supplier due to the risk, cost and effort required to recapture this information.

Sharing of accurate and complete application information between you and your label supplier is critical to ensure best-fit material recommendations. Material can account for up to 80% of the total cost, so having the lowest-cost material that will work in the application will reduce cost.

Proactive Quality Management

While many companies believe they have good label programs, they will struggle if pressed to provide hard data. Without a label data tracking process in place, the team accountable for label quality can only respond when a process or label product reaches critical failure and the issue is escalated for action.

For products and components exposed to extreme or unusual environmental conditions such as temperature, moisture and chemicals, purchasing the cheapest labels can prove to be a false economy. So often used to satisfy safety and agency requirements, these labels must demonstrate necessary performance characteristics. Branding considerations also should be part of the cost/performance evaluation to drive both quality and cost management.

Lack of Label-Specific SMEs

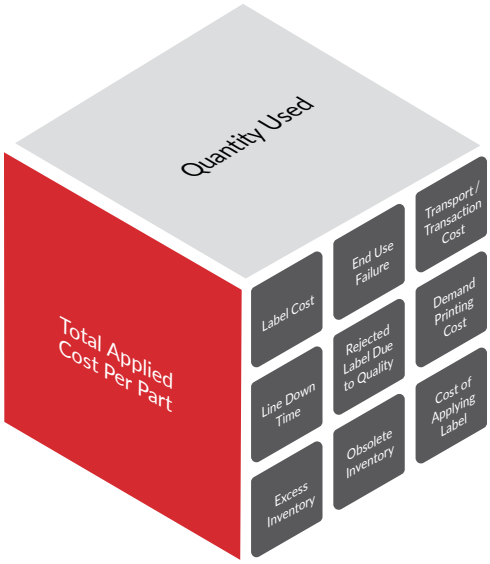
Label engineering and compliance is a very specialized skill set that requires constant effort to stay current with the market and few manufactures have the required expertise in-house. Even when companies have highly qualified experts on staff, their effectiveness is limited to the number of parts and processes they can support.

Least-Cost Item Focus

Labeling cost control is usually managed by the purchasing organization as part of the sourcing process. In many cases, only metrics such as unit price and service fees are considered. Not only does a least-cost item approach miss opportunities for cost reduction, it can actually drive up the total cost of ownership.

While it is easier to focus on the "invoice cost," this approach misses on less obvious, but still significant, total life cycle costs. These include items such as:

- Compliance management
- Customer fines
- Data collection and reporting systems
- Demand forecasting
- Durability testing
- Engineering design management
- Imaging system failures
- Line-down costs
- Obsolescence
- User training, etc.



Getting Started

The process of creating a label management program doesn't need to be complicated. Since no two companies are exactly alike, neither are the solutions to label mismanagement. What is needed is a process to guide the development, actions and solutions that are meaningful, practical and ensure lasting results.

The best way to get started is to agree on a general strategy for the project along with the overall goals. A proven approach is Organize, Analyze and Optimize. It is important to assess the current state from a fact-based perspective that is comprehensive enough to ensure that something important is not overlooked, but manageable enough to avoid the risk of a project so large that nothing ever gets done.

Start by organizing your current program to manage the daily efforts before beginning to investigate possible areas of improvement. Only after you have a stable program and a clear direction should you begin to explore optimization efforts.

Organize

To optimize one must have a plan. The old saying "if you don't know where you are going any road will get you there" is as applicable here as anywhere. The best way to optimize your label program is to decide what you want to achieve and how you want to get there.

Take stock of your current situation and how your labels are managed today. Are you centralized or decentralized in your approach? What data do you currently have about your program? Is it enough? Do you have a key label supplier that is capable of helping you migrate to the desired future state? If not, now would be a good time to meet with label suppliers that can help you achieve your goals. Picking the right partner is a key foundational step and will significantly influence the outcome of your label management optimization efforts.

Once you understand where you are, where you want to go, and have selected a qualified label management

partner, it's time to work together and develop an organized plan that starts with solidifying the existing day-to-day needs of the program. No stock-out situations is an appropriate goal to start with.

While some companies choose to select a single or primary label partner, others work with several companies. If you choose to work with several label suppliers, be prepared to play the role of overall label management subject matter expert and have all label-related activities supported by your own in-house resource. Do not underestimate the resource commitment this approach requires.

Analyze

Once the program is stabilized and running smoothly — getting to this step will be easier for some companies and harder for others — it is time to make an honest and in-depth assessment of the program. The best practice is to conduct a detailed assessment of the labels used in each facility. These assessments should focus on identifying opportunities for consolidating and standardizing labels, ensuring that appropriate label materials are used, and evaluating the inventory management and procurement programs where savings can be realized. The form, fit and function should be reviewed to ensure each label meets durability requirements and is right-engineered to use the best-fit sustainable materials, matched to material standardization and an efficient on-demand production/inventory process.

Facility-specific label assessments will result in a detailed understanding of needed corrective actions and opportunities for optimization. Interviews and meetings should be used to formulate and test the mechanics of how the program currently operates and to answer the many program design questions that need to be addressed, such as:

- Who is responsible for developing and managing label designs?
- Are the proposed label specifications acceptable to stakeholders?
- Who is responsible for avoiding line-down situations due to labels?
- How will the labels be displayed on the product?
- What are the ongoing challenges facing each location/line?
- How will monitoring and enforcement work?
- Who will evaluate the program, and how often?

Optimize

To move forward from the analyze phase, a review of the findings documented in the facility reports is needed. Findings should then be grouped and consolidated as appropriate, such as by those that drive process improvements, increase environmental sustainability, or reduce cost. Of course, in order to realize cost savings, risk reductions or other benefits, the process improvements identified in the full assessment report must be implemented. A simple approach to prioritization is to consider risk, cost and resource/effort as weighting factors. Projects that will reduce the most risk with the least effort and highest financial return should be your lead projects.

Remember, it is important to create a culture of embracing change. Be open to testing new materials and processes. These can result in substantial savings.

Benefits/Expected Outcomes

For a label program to have impact, it must be understandable, repeatable and capable of becoming part of organizational culture. Benefits can be realized with no organizational disruption and grouped into two main areas: process improvement and total cost reduction.

Process Improvement Examples

- Organized, well-managed program
- Simplification of agency and industry compliance
- Streamlined engineering process and version control

- Formalized label quality management
- First-part approval process reduced by several weeks
- Online label management systems provide 24/7 access to all program data and drawings
- Green improvement; reduce environmental impact by up to 64% on select label constructions

Total Cost Improvement Examples

- Formalized line-down avoidance process
- Continual evaluation of lean label strategies
- Total cost of ownership reduction of 15% to 25%
- Transactional accounting costs reduction between 18% and 25%
- Lead times reduced from weeks to days using VMI and POD
- Label obsolescence cost reduction ranges between 25% and 75%

Conclusion

For progressive manufacturers, it is time to recognize that labeling is a strategic activity, not tactical. By stepping back and building a more holistic view of document management and printing throughout their enterprises, manufacturers can cut costs and transform corporate documents and printed production parts from high-cost liabilities to high-value assets.

The perception that labels are commodities to be sourced using a least-cost label approach has given way to the understanding that labeling programs are complex and, if not run with the same care as other indispensable business operations, great harm can follow. Damage to brand loyalty, line shutdowns, higher costs and increased liability and risk are all real dangers of a poorly run label management program.

A well-run label management program, by contrast, requires strategic planning and the selection of a qualified label supplier matched to the specific and unique requirements of your company.

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