



COVID-19 and Key Industry Dynamics

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MAY 1, 2020 — *As a result of the COVID-19 crisis, we have seen unprecedented disruption of the packaging supply chain, the result of which has made it very tough, and in some cases, impossible to meet customer demand.*

Some of the industry dynamics have resulted in under capacity and under supply. I will explain a few of the key dynamics happening.

1. Early in the crisis, we experienced a shift from food service packaging to retail packaging, driven by fear and eventually the “stay at home” orders imposed by Governors. Unfortunately, the supply chain, which is normally balanced at 50/50 between food service & retail, became “overburdened” as we say with empty store shelves. The manufacturing assets cannot always support both types of production, which resulted in an under capacity for small packages, plastic, glass, and dispensing systems. This extended lead-times.
2. The explosion of the needs for sanitizer, cleaning products, and personal use hand sanitizer skyrocketed with a demand that completely overtook the capacity available in the industry and continues to do so pushing lead times as far out as 1 year.
3. Further complications have come with the availability of workers in factories. Many have taken up quarantine or are not able to work for 14 days because of exposure to someone with COVID-19. The stimulus has been critical for this group of workers, but it also complicates getting workers to do basic manual labor at packaging manufacturing plants like packing, warehousing, shipping, etc. Consequently, some manufacturers have had to cut from a 7 day/24hr schedule to a 5 day/24hr schedule further reducing critical capacity.

4. Last, I would point out that a large portion of packaging is imported from China. The supply chain in China is completely overwhelmed. Prices have doubled. They have local market demand, European demand, and North American demand for products like pumps, sprayers, and closures that are primarily sourced from China.

We at Dempsey International Packaging are working 7 days a week procuring product from all over the world, by air transport and expedited ocean or freight shipping. We have worked with customers to get them to let us use their molds in this moment of crisis. Our domestic factories have been as supportive as possible, reactivating lost capacity through older machines. We have even imported two machines bought by us and one by airfreight. We are engaged at all levels of the supply chain to meet our customers' requests. Our harsh reality is the dynamics are bigger than we can control, and we are doing the best for every single one of our customers.

The entire team at Dempsey International Packaging is available to help you navigate the new changes to the supply chain.

Contact us at info@dempseyinternational.com for inquiries and purchasing. Our team is here to help!

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George is a leading expert on Asian and Latin American Packaging Supply Chain dynamics. His expertise spans 25 years of supply chain and business development in foreign markets, including multiple board level positions. He is a graduate of Northern Illinois School of Business and holds multiple degrees including an Executive MBA.