



Modernizing, streamlining and digitizing

How manufacturers can address labeling challenges
and opportunities



LOFTWARE™

NiceLabel®

Introduction

Across the world, manufacturers of all types and sizes are accelerating the journey to digital processes and systems. The modernization of enterprise resource planning (ERP), in particular, is transforming systems, with SAP software migrating from SAP ECC into the new business suite of SAP S/4HANA. When enterprises update their ERP, many will also look at modernizing manufacturing execution systems (MES) and warehouse management systems (WMS) and subsequently also labeling, as they migrate to, or implement, new standardized global labeling solutions.

A recent study of 300 IT directors in manufacturing across the US, UK, France, and Germany, commissioned by NiceLabel and carried out by an independent research house, confirmed that manufacturers are increasingly digitizing their IT systems and processes.

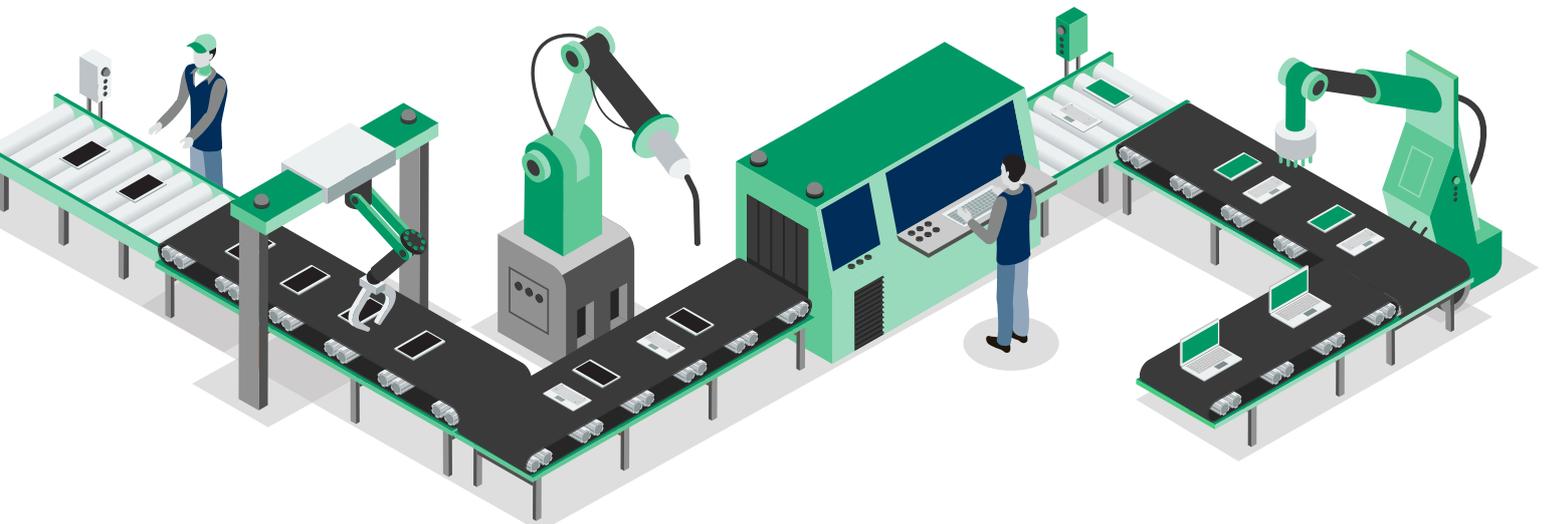
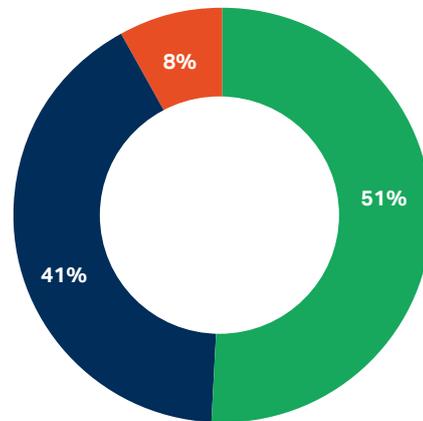
There are a raft of drivers behind this. Nearly one third (32%) of the survey sample consider enhancing brand reputation to be a main benefit of modernizing/automating their manufacturing process, including labeling, with technology, and 30% see improving relationships with supply chain partners as a benefit. But there is still a long way to go and many challenges remain.

More than half of the survey sample (51%) said they were either well under way with their digital transformation journey to modernize/automate their manufacturing processes with technology or had nearly completed it. Yet, 41% said they had just started with their journey, while 8% had not yet started it.

The migration to cloud is to a large extent running in parallel to this digital transformation. There is great potential here for companies to improve their processes by adopting a cloud-based approach and the migration to cloud is now well under way. Nearly one in five (18%) say all their IT infrastructure is based in the cloud today, while a further 37% say their organizations have moved most of their IT infrastructure to the cloud.

In addition, worries about performance, noted by 27% of respondents and a lack of integration with other systems cited by 26% were the main concerns that respondents had when it came to running applications in the cloud. However, it is important to note that both challenges can be easily overcome with the help of an expert provider of cloud-based solutions, who can help to streamline integration between different on-premise and cloud systems.

How far along is your business with the digital transformation journey?



Labeling – opportunities and challenges

As they transition to cloud, manufacturers will, of course, be looking to ensure they are moving key functions of the business over into this environment also. The applications respondents are most likely to be running/ looking to run in the cloud are: Enterprise Resource Planning (42%); Supply chain management (40%); and Sales & operations planning (40%).

While there is still some way to go, the move towards cloud across manufacturing today is clear and cloud-based labeling is a key part of this ongoing migration. The benefits include the ability of the approach to streamline and scale the labeling process, while enabling organizations to save significant sums of money they would otherwise have to spend on maintaining expensive IT infrastructure.

That's allowing businesses of all sizes — not just global enterprises — to afford label management systems and benefit from the productivity gains. In the past, it was only larger organizations with the resources and in-house IT skills who could deploy such systems. But now there are far fewer barriers to entry for those smaller businesses who don't have the in-house IT skills and budgets needed for hardware and software maintenance and management.

Perhaps most importantly of all, digitally transforming labeling with the cloud enables organizations to centralize and control labeling processes, from any location.

Whether the labels are needed at the warehouse, factory or at another facility, they can be accessed by people who have the relevant permissions, as part of a role-based access approach and quality assurance procedures can be run on them.

Indeed, a centralized modern labeling system can enhance a manufacturing organization's quality and agility, reduce costs, and promote better supply chain flexibility across the organization. Such a system also provides consistency and accuracy across a global landscape. Moreover, a centralized approach simplifies oversight, supports business continuity and enables users to adhere to corporate standards.

That element of centralized control and management is critically important. When labeling is disorganized, simple tasks like making changes to a shipment label not only become arduous but also potentially damaging to the brand and consumer safety. As common sense can dictate, a decentralized system will inevitably result in inaccuracies, such as mislabeled products – a leading cause of recalls.

Which applications are your business looking to run in the cloud?



Issues around mislabeling

Percentage of goods that are labeled incorrectly each year

76%

of IT Directors said more than 10% of goods are mislabeled every year

26%

of IT Directors say more than a quarter of goods are mislabeled every year

The recent NiceLabel survey also specifically focuses on mislabeling. In it, 76% of respondents overall said that more than 10% of their organization's goods are labeled incorrectly every year, while more than a quarter in total (26%) say more than 25% are mislabeled on an annual basis.

Given this, it could be predicted more than a third of the sample (35% - and the second highest ranked option cited), reference 'minimizing errors that lead to a need to relabel products' among the biggest challenges they face in getting new label designs into production. It is perhaps unsurprising too that 26% of the survey sample see 'reducing costs' and 18% see productivity gains among the main benefits of modernizing/automating their manufacturing processes, including labeling, with technology.

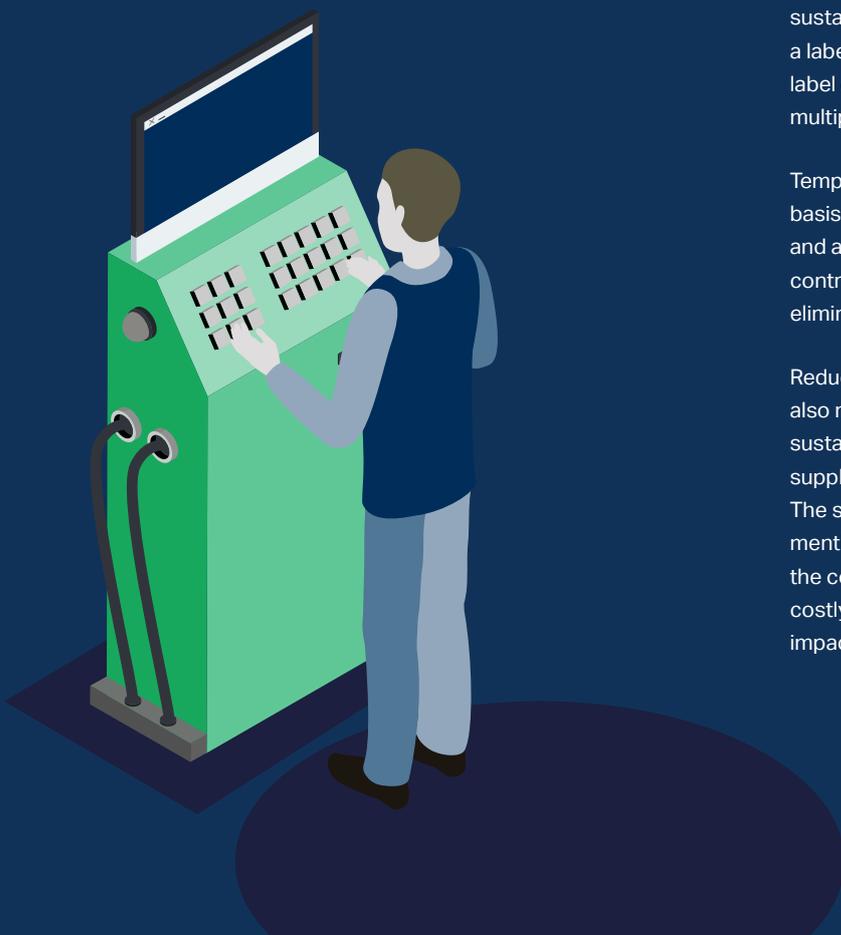
Cost was also identified as an important concern across the survey sample.

Respondents say their organizations incurred an average cost of approximately \$65,000 from incorrect labeling in 2020, with 61% of the sample saying their organization incurred losses amounting to more than \$50,000 from mislabeling in 2020.

Mislabeled is not just costly, it is also time-consuming. It can often lead to issues with products and that can result in an unsustainable need to re-label product or packaging. With the need to minimise waste and reduce resource usage under ever greater scrutiny across labeling processes, organizations can achieve the complementary objectives of advancing their sustainability goals and reducing mislabeling by implementing a label management system that allows centralized control of label design and printing throughout the business or across multiple sites.

Templates are stored centrally, and access is given on the basis of role, so that control of exactly who can create, access, and amend label designs within a company is rigorously controlled. This central control enables businesses to eliminate labeling errors and unauthorized label changes.

Reducing labeling errors in this way is key. Correct labeling also means that extended supply chains can become more sustainable. In the past, incorrect labels from partners and suppliers have often resulted in re-labeling upon receipt. The solution is to extend labeling (with role-based access as mentioned above) to those suppliers to ensure they are using the correct templates and content to eliminate the need for costly and time consuming re-labeling (which also has an impact on inventory and waste).



Shutdowns and associated costs

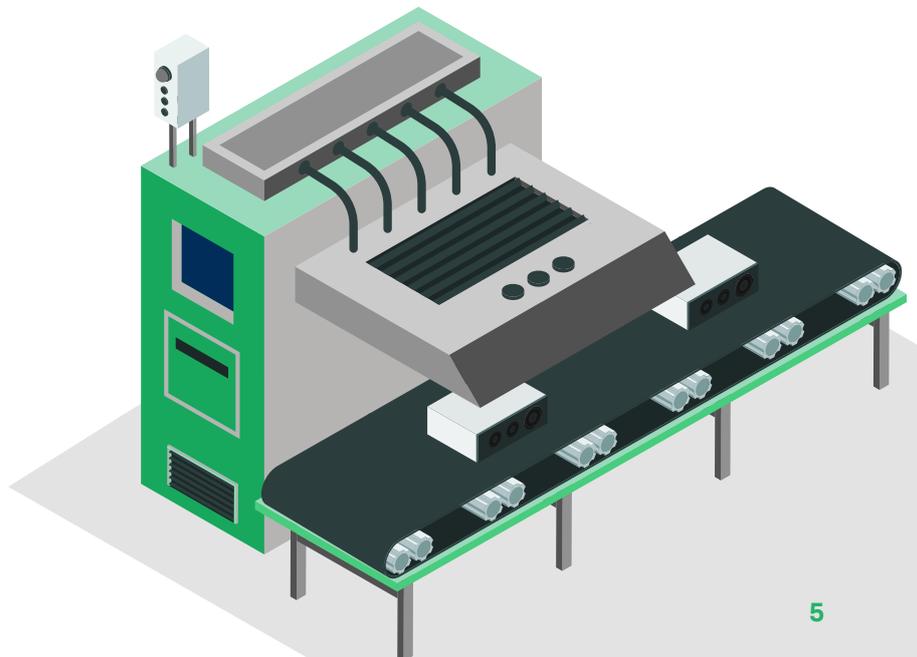
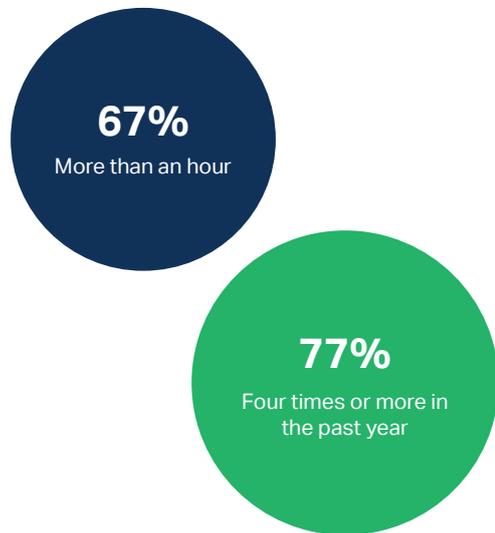
Any business disruption or shutdown can significantly impact any manufacturer causing loss of revenues and ultimately even putting the business itself in jeopardy. The danger of that being caused by mislabeling becomes a growing concern as labeling becomes a key part of business and supply chain strategy.

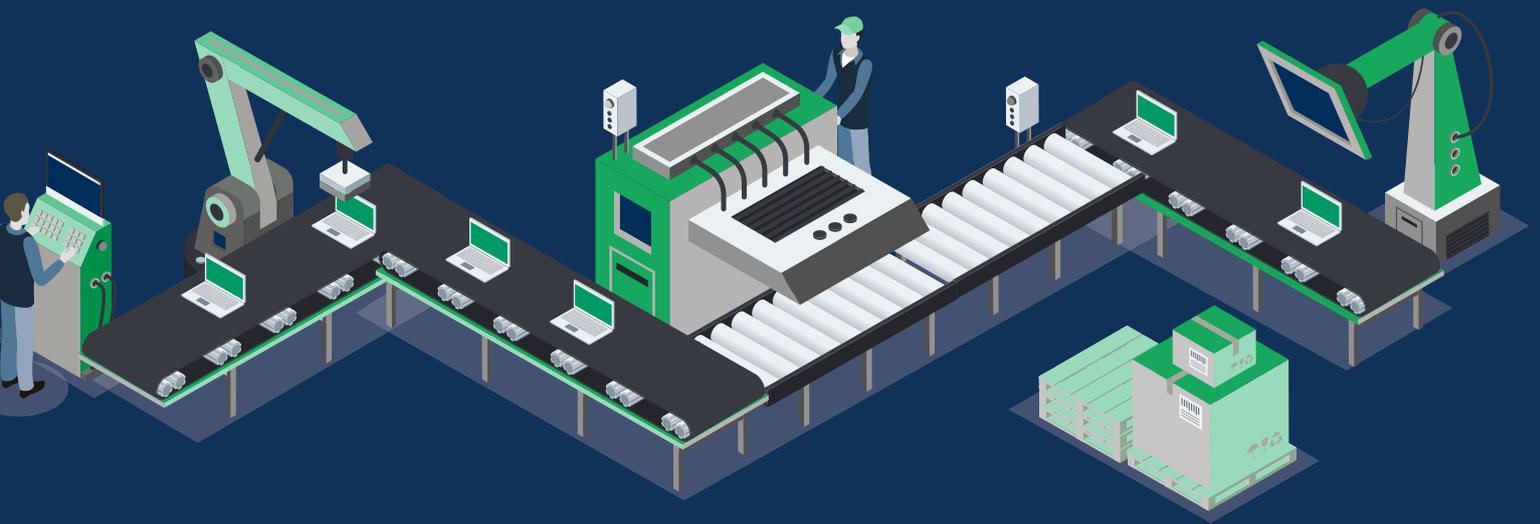
The survey found that on average more than two-thirds of manufacturers (67%) were having to shut down their production line for more than an hour if there was a problem with label printing. The survey also revealed that manufacturers were having to pause production lines just under six times a year on average due to such problems, with 77% saying their production line had to be paused four times or more in the past year as a consequence of these.

While this is clearly a serious problem for any manufacturer, the risks to production operations extend well beyond full shutdowns. Decentralized labeling for example, also adds risk to production operations. An ERP system is supposed to provide "a single source of truth" to business users. However, at many organizations there are as many versions of the truth as there are labeling locations. That is because in decentralized labeling operations, each facility may not be integrated with ERP and will be creating their own label formats and duplicated product and customer data. After all, without centralization, manufacturers are generally not integrated to the same source of truth and that creates redundancies of data – making enterprise-wide updates unmanageable and adding significantly to inaccuracies and inconsistencies. Alternatively, they may be using legacy centralized solutions such as SAPscript or SmartForms where a huge burden is placed on IT and label changes may take up to eight weeks.

Consistency is important even when compliance is not a concern. In the current era where customers have more choices and less loyalty than ever before, businesses are investing heavily to develop their brand image. A wide range of different labels, logos, and other graphics are often used at each location, due to facilities using different sets of data and this further undermines efforts to be consistent and also reflects poorly on the brand.

How long was the production line shut down for if there was a problem with label printing?





Forging a more positive future

These findings underline the importance of manufacturers avoiding costly production shutdowns; each time a production line is not working it is losing money. Beyond this, however, they also highlight the importance of manufacturers modernizing their labeling systems, as part of a seamless process of digital transformation.

When businesses update an ERP, many modernize their labeling and migrate to a standardized global labeling solution, and that creates opportunities for the digital transformation of labeling in general.

Looking ahead, expect that modernization to continue to be accelerated by two key trends: the ongoing impact of Covid-19 and the continuing drive of businesses to move systems to the cloud and start to adopt cloud-based labeling solutions to drive further efficiencies.

The Covid-19 pandemic will continue to have a significant impact on the sector throughout 2021 and beyond. Change has already been driven by necessity. Across labeling, organizations have been forced to adopt new ways of working and often, they have found them to be more efficient than what went before.

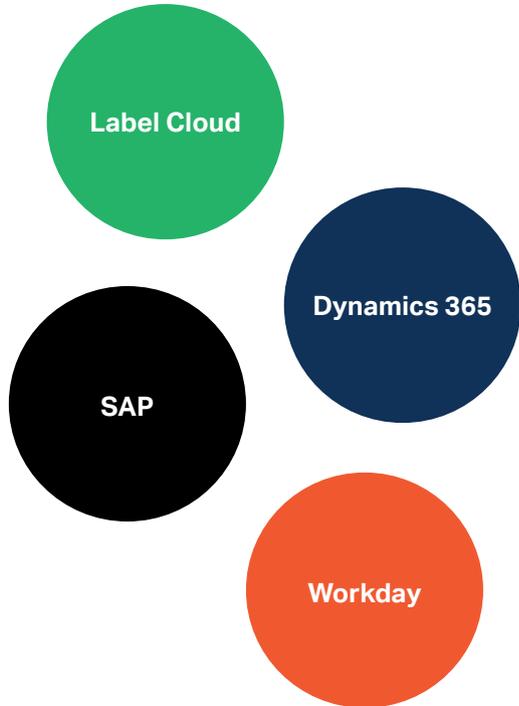
Businesses now understand that they can work remotely and still be efficient. Vendors have reacted by modifying their tools and solutions. The same transformation is happening in the world of label management systems. Today, channel partners can collaborate remotely and provide services, whether it is designing labels or configuring applications, and they can remotely monitor label volumes and types of labels printed, helping to provide a much better customer experience.

Another trend that will keep accelerating is the migration to cloud-based labeling and alongside that a drive towards cloud-connected printers and having zero software footprint on premise. This is something that we have seen in 2020 and expect to continue through 2021 and beyond. Progress may not have been made at lightning speed and clearly challenges still remain, as our survey indicates. However, the benefits of moving operational systems, include labeling to the cloud, are too compelling for many organizations to ignore over the long-term.

Over the past year, in particular, progress has been rapid. We have seen the increasing adoption of a cloud first approach in order to navigate a world of remote working and lockdowns. NiceLabel's channel partners have stepped up to the plate to help manage labeling in the cloud as businesses move their labeling operations off-premise.

Breaking down the barriers

Business system integration examples

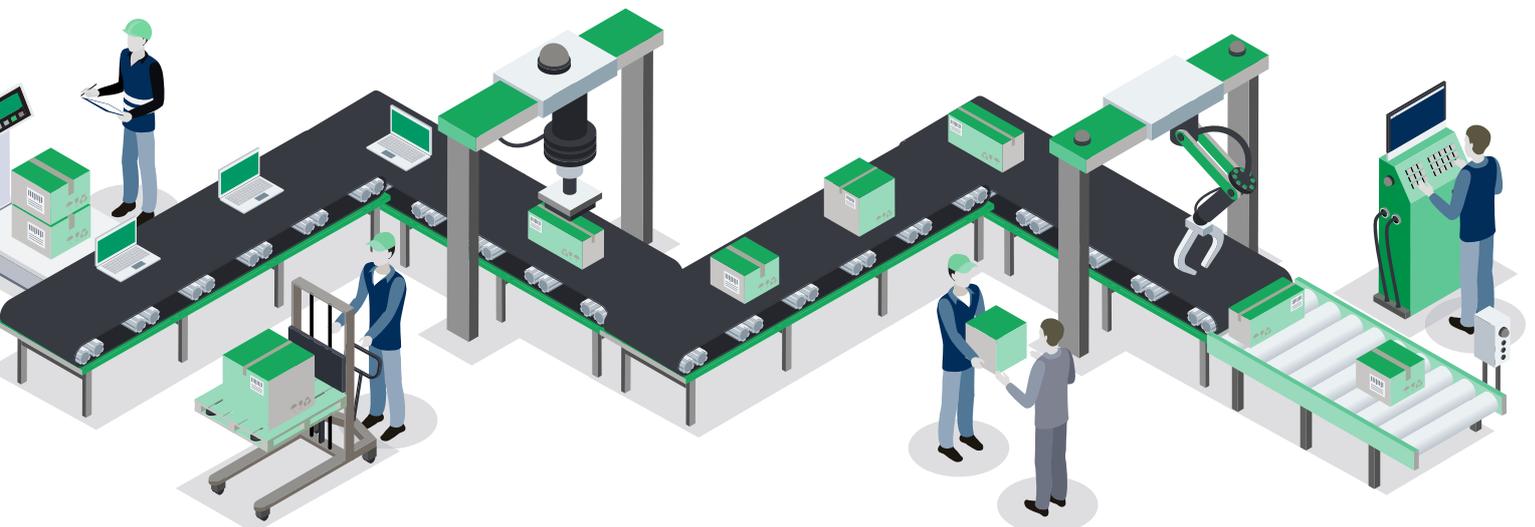


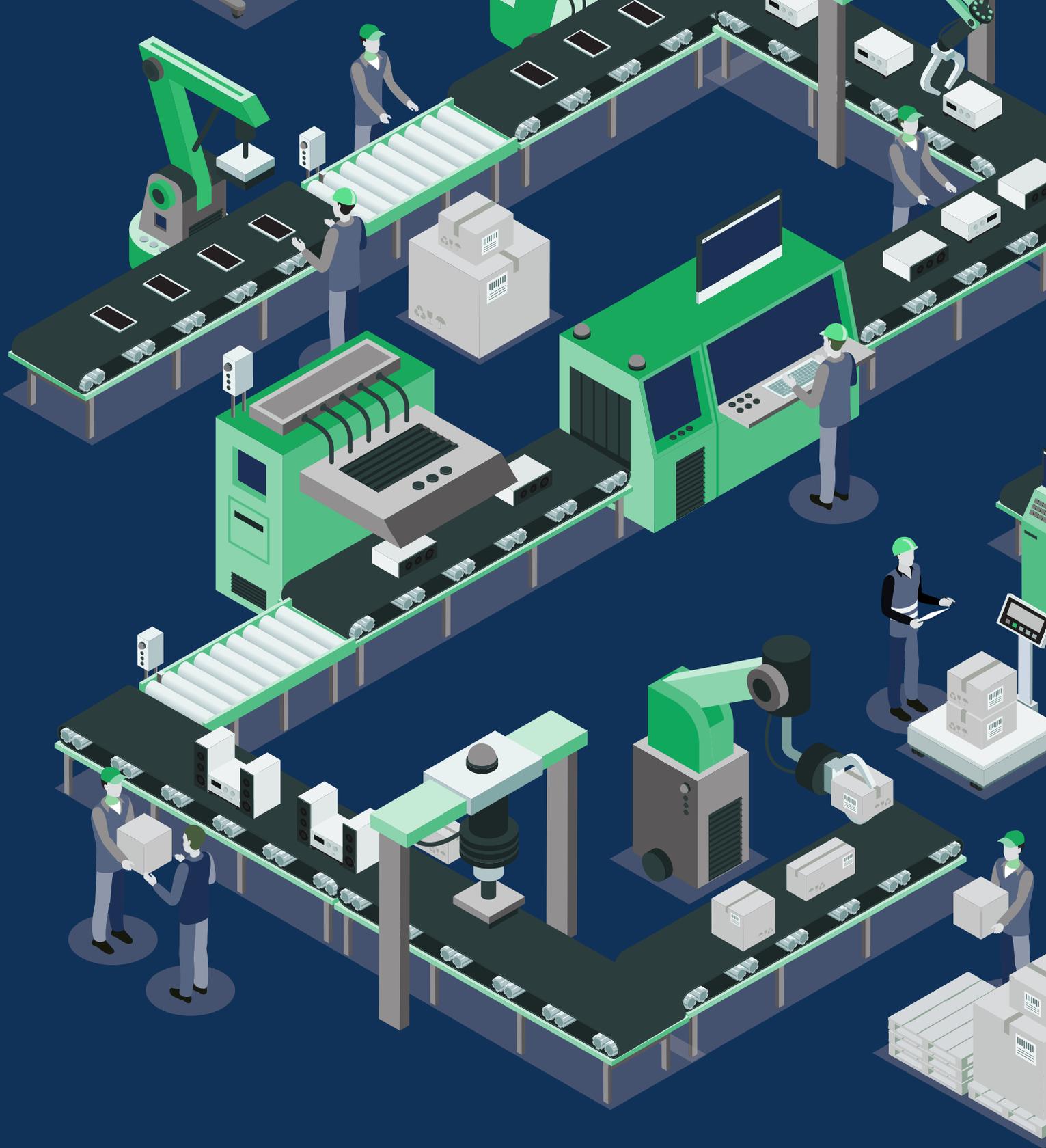
Another positive factor is that the cloud is breaking down the traditional roadblocks in the way of integrating business applications with labeling solutions. One of the main catalysts for this is cloud-to-cloud integration: effectively a cloud business system integrating with another cloud business system. NiceLabel's Label Cloud solution integrating with the cloud ERP software system, Dynamics 365 via a cloud connector API is one example of this. Label Cloud integrating with Workday, the cloud-based finance, HR and planning system, is another.

The key is making it as easy as possible for these cloud-based business systems including cloud-based ERP, warehouse management systems (WMS) and MES systems to integrate with cloud-based labeling systems like our Label Cloud, typically via cloud connector APIs. That is a critical focus for us at NiceLabel and it allows businesses to overcome the challenges outlined above and print labels easily from these business systems.

So, as we look to the future, despite the challenges and issues outlined in our survey, the future looks increasingly bright for labeling and label management systems.

The modernization of IT systems, coupled with the centralization of labeling solutions, the move to the cloud and a focus on tighter systems integration is starting to ensure the labeling industry is really fulfilling its promise.





In 2021, NiceLabel and Loftware combined to extend global leadership in Enterprise Labeling and Artwork Management. The companies bring together 60 years of expertise to deliver customers and partners an expanded choice of solutions and enhanced capabilities.

For more information, please visit: www.nicelabel.com and www.loftware.com.



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