

The Rise of Contract Packagers & Fulfillment Companies — And Why Demand Is Higher Than Ever

By Eric Faber, Founder & CEO of Packaging Resources April 2025

Contract packagers and fulfillment companies—once considered overflow partners or niche service providers—have become central pillars of today’s packaging and supply-chain ecosystem. Over the past decade, their growth has accelerated at a pace that far outstrips traditional manufacturing sectors, and the trend shows no signs of slowing. From consumer-packaged goods (CPG) to food & beverage, health & beauty, nutraceuticals, pet products, and even industrial goods, brands are leaning on co-packers and fulfillment specialists in record numbers.

Why? Because the rules of packaging have changed, and these partners are uniquely positioned to help brands compete, adapt, and scale.

1. SKU Proliferation Has Outpaced In-House Capabilities

Ten years ago, major brands carried a manageable number of SKUs. Today, the average brand—large or small—faces:

- Constant line extensions
- Seasonal and promotional variants
- E-commerce-specific packaging formats
- Retail-exclusive sizes
- Sustainability-driven material changes
- Short-run test batches for retail buyers or online A/B testing

This explosion in SKUs has strained internal packaging lines that were originally built for long runs and stable product mixes.

Contract packagers thrive in this environment because they specialize in agility: quick changeovers, mixed-material capabilities, and flexible batch sizes. They can pivot faster than most in-house teams, giving brands the production elasticity they need without capital expenditure.

2. The E-Commerce Boom Changed Everything

The rapid acceleration of e-commerce—especially during the pandemic—created a demand profile that traditional brands were not ready for:

- Direct-to-consumer (DTC) kitting
- Customized subscription boxes
- Amazon-ready prep (polybagging, bubble wrapping, labeling, FBA compliance)
- High-frequency small-batch order picking
- Last-minute holiday surges

Fulfillment companies built specifically for this operational complexity have exploded in popularity. Brands want to stay focused on sales, marketing, and product development—not the labor-intensive task of packing, labeling, taping, scanning, and shipping thousands of individual parcels each day.

Contract packaging and fulfillment companies bridge the gap between the factory and the consumer's doorstep.

3. Labor Shortages Have Made Outsourcing the Smart Play

Manufacturers across North America continue to face chronic labor shortages. Skilled machine operators, pack-off teams, warehouse pickers, and line technicians are difficult and expensive to recruit.

Contract packagers, by contrast, are built on:

- Dedicated labor pools
- On-site training systems
- Cross-trained teams who can move across lines
- Built-in redundancy to handle staffing volatility

Instead of battling hiring cycles, brands are outsourcing to experts who already have the personnel and processes in place. This alone has driven a massive shift to co-packing partnerships.

4. Capital Equipment Costs Have Become Prohibitive

Packaging automation is advancing rapidly—robotics, vision systems, flexible conveyors, advanced pouch systems, fast-change fillers, and new sustainable material-handling equipment. But the price tags are rising just as quickly.

For many brands, it no longer makes sense to invest millions in machinery that might only run certain pack sizes a few months per year.

Contract packagers absorb that investment and amortize it across clients. Brands gain access to:

- New machinery

- Faster automation
- Better QA systems
- State-of-the-art sustainability platforms

...without tying up their own capital or expanding facilities.

5. Retailers Are Demanding More—Faster

Walmart, Costco, Target, Kroger, and club stores expect supplier-ready packaging that meets increasingly complex requirements:

- Retail-ready packs
- Display shippers
- Multipacks
- Variety bundles
- Pallet-level configuration accuracy
- RFID, traceability, and compliance labeling

Failure to meet these specs means fines, delisting, or lost shelf space.

Contract packagers and fulfillment partners specialize in retail compliance. Their speed and accuracy help brands stay on the shelf and avoid penalties.

6. Sustainability Pressures Have Increased Packaging Complexity

With eco-regulations growing, companies must adjust materials quickly:

- PCR resins
- Recyclable films
- Compostable substrates
- Paperization trends
- Lightweighting initiatives

But many internal lines weren't built for these next-generation materials. Co-packers often have the latest sealing, forming, cutting, and filling technologies specifically designed for new substrates, making them indispensable partners during material transitions.

7. Brands Want to Stay Lean and Asset-Light

Modern business strategy favors flexibility over fixed assets. Especially for emerging brands, maintaining their own facility is unnecessary overhead.

Co-packers offer:

- Scalability without square footage
- Immediate production without construction
- The ability to test products before committing to equipment
- Variable cost structures instead of fixed payroll and utilities

This “asset-light” advantage is one of the strongest drivers of growth in the sector.

8. Fulfillment Companies Are Becoming Tech Companies

Today’s fulfillment operations are powered by:

- AI-driven inventory forecasting
- Warehouse robotics
- Automated pick-and-pack systems
- Real-time order tracking
- Smart routing & freight optimization
- API integration with Shopify, Amazon, WooCommerce, ERP systems, etc.

Brands get instant access to technologies that would cost millions to build internally. This technological edge is a major reason why fulfillment companies are in higher demand than ever.

What This Means for Brands — and Where Consultants Come In

As contract packaging and fulfillment grow, the decision-making landscape becomes more complex:

- Which partner is the right fit?
- What hidden costs should brands watch for?
- How do you negotiate multi-year agreements?
- What packaging formats are best outsourced versus kept in-house?
- How do you ensure quality, compliance, and scalability?

This is exactly where a packaging consultant becomes invaluable.

A consultant can:

- Analyze packaging lines and determine what to outsource
- Match brands with the right co-packers and fulfillment partners
- Audit capabilities, materials, automation, and QA systems
- Support RFPs, contracts, and pricing strategy
- Validate retail and e-commerce compliance
- Guide sustainability transitions

- Oversee production ramp-ups and pilot runs

As the co-packing and fulfillment world continues to explode, brands are increasingly turning to experts who understand the equipment, materials, labor economics, and supply-chain implications behind each decision.

Conclusion

Contract packagers and fulfillment firms have moved from the background to the center stage of modern packaging and logistics. Their agility, technical capabilities, labor capacity, automation investments, and e-commerce specialization make them more essential than ever.

For brands navigating SKU complexity, retail demands, sustainability goals, or rapid scaling, the smartest move is often the simplest: **partner with the experts who do this every day**—and engage a knowledgeable packaging consultant who can guide the strategy, vet the partners, and protect the brand's bottom line.