



## Transition Toolbox: the case for Retail Packaging By Michiel Bouvy



Retail packaging at work: the final moment of truth

**Shopper centric and easy to process instore.** These have become fundamental requirements for packed groceries in today's retail channels. They make packaging a driver of both sales value and distribution costs. But putting a value into the equation is not so easy. Getting it right is a matter of application management and proper execution, rather than a task for packaging technologists, design agencies and packaging suppliers. In short: proper use of a toolbox.

- ✓ **Grocery retailing implies a transition in units, communication and function in the chain from supplier to consumer.**
- ✓ **Instore operations and POS functions set specific success criteria which are of increasing importance.**
- ✓ **Channel developments drive dynamic demand and a proliferation of solutions.**
- ✓ **Control over execution is a key task for stakeholders in the business chain.**
- ✓ **Challenges of packaging management require advanced leadership.**

*Instore performance of Retail Packaging relates to both shopper impact and store operations. But Retail Packaging as such is a virtual reality. It is not so much a physical solution, but rather a combination of functionality coming from the product, consumer packaging and transport outer. In spite of all the money and effort put into the development and use of packaging across the globe day in, day out, the level of failure instore can be stunning.*

*I keep asking myself: Why? What makes getting it right so hard? And what can be done about it? This paper is intended to share some valuable insights on the root causes and on how to make improvements, step by step.*

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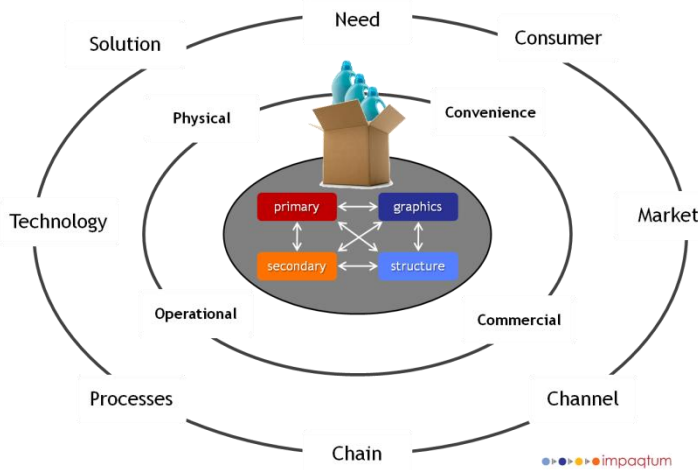


Fig. 1: Physical vehicle in a complex business environment

**Why pack at all**

In the grocery trade, packaging is undeniably moving up the strategic agenda. And if top management doesn't recognise this it would be well advised to catch up quickly. Packaging is the physical vehicle in a complex business environment. (fig 1). Functionality is associated with a range of critical areas: innovation, sustainability, marketing and branding or manufacturing capabilities.

Pack attributes respond to the needs of different stakeholders each operating in relative isolation. Retail Packaging aims at balancing performances between them, while keeping different sales channels in mind and is increasingly relevant to achieving bottom line results.

The current focus on sustainability clearly demonstrates the complexity of packaging management as a supply chain issue. Initiatives on global standards<sup>1</sup> and evaluation metrics<sup>2</sup> recognise the diversity in needs and requirements between disciplines and business partners. Eco-friendly materials are not enough. Choices must be judged in a wider context of evolving supply chains and business processes. Packaging enables efficient distribution of goods *and* is a major driver of consumer value.

**Distribution or Consumer focus**

The classic split between consumer- and transport packaging is reflected in the way they are usually managed. Product- and consumer focus puts the emphasis on primary pack functions. Transport packaging has mainly a logistic function and gets managed in a different domain. (fig 2)

	Distribution	Consumer
	Supply Chain Process	Product Use 
	Transport packaging	Product packaging

Fig. 2: The classic split between distribution and consumer domain.

*Brand equity and product features* attract consumers and create value. The packed product defines the basis for grouped items to be processed in distribution chains. *Logistic functionality* mainly correlates with the impact of weight, volume, distance or speed on the overall cost structure and competitiveness. Distribution efficiency is therefore more dominant with high volume products (crisps), heavy loads (water) or lower value items (toilet paper).

The packed product itself conveys all relevant marketing imagery to make it attractive and saleable. Once in store, cases and crates have done their job and will hopefully disappear from sight before the consumer gets to see the product. On-shelf use of transport outers is often seen as an efficiency-driven retailer strategy that frustrates the shelf impact of beautifully designed items. But this approach is old school, for 3 reasons: shopper marketing, channel operations and product transition.

**Shopper Marketing: competing on dm<sup>3</sup>**

The 'final moment of truth' as defined by sophisticated shopper insights recognises the challenge of capturing shoppers' hearts and minds to make a sale. Regardless of whether it is a destination category or an impulse product; a 'big head' or a long 'long tail'<sup>3</sup>, a product must somehow manage to end up in a shopping cart and make it to the checkout. Shopper marketing applies multiple techniques to

trigger subconscious processes and stimuli. But whatever means are used, at some point products need to be identified, understood, accepted and physically picked. *Unseen is unsold.*

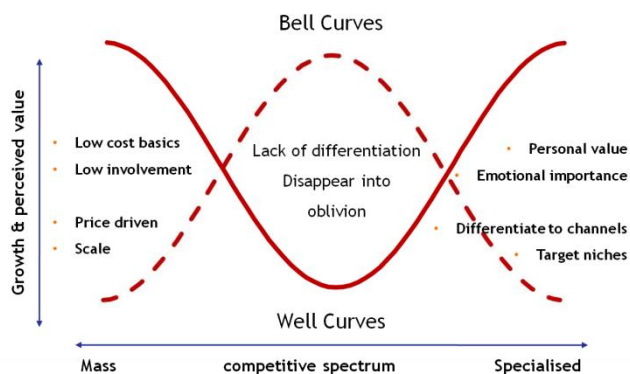


Fig. 3 Bell or well:  
Well curve: find profitable growth at either end of the competitive spectrum. Packaging must match your position. Middle-of-the-road solutions fit the Bell, but just miss the point in well based strategies.

Instore media and merchandising features are definitely en vogue. But at the end of the day it is the package that has to close the deal. Few products may count on true loyalty or brand strength and ignore shopper impact basics. The majority must reinforce the product point from every angle.

The Well Curve<sup>3</sup> approach to value generation takes Porter's leadership strategies a step further and challenges the traditional efforts to capture markets with average standards (bell). Instead profitable growth requires focus: target niches to connect with consumers, or focus fully on mass markets.

Most grocery shopping is an intuitive process that triggers a primed mindset and expectations. Split-second understanding is required. Consumers seek confirmation - not confusion and inconsistency. Technically, there is nothing wrong with a scratched carton or a dented can. Except that it doesn't sell.

Anchor features, like Milka purple, may draw shoppers to the confectionary shelf, but what makes that other brand suddenly more appealing? When does the purple wall take over and the individual product get indistinguishable? And does it really help to stress the brand when there is hardly an alternative on offer? Competitive impact<sup>5</sup> on a shelf is intricate business. Not only the individual product, but also the competitive environment, the store layout and product substitutes define what packaging has to deliver on a shelf. Are typical consumer features sufficient to do the job?



Brands love to build walls. But when does the wall turn into a blur? How does instore execution influence final impact?  
(Germany - Sweden - Germany)

It seems to get worse as well. Severe competition instore makes keeping pace using your packaging ever more challenging, for 3 reasons:

1. **Inflation:** the instore landscape gets increasingly crowded and dynamic with screaming media messages and multiple products competing for attention. Restages of products are meant to keep consumers interested, but do they merely add to the confusion? Just stand in front of the average shelf and picture what it looked like 10 or 20 years ago. And which of the products you see there were on offer last year and looked exactly the same?
2. **Innovation:** advanced technology generates a boost in smaller, unstable, brightly coloured and interestingly shaped products. But many are hard to merchandise: flexible packs fall




	Distribution	Retail	Consumer
	Supply Chain Process	Format Shopper	Product Use
	Transport packaging		Product packaging
Functions	Shipping	Presentation	Convenience
Units	Distribution	Sales	Consumption
Communication	Logistics	Perception	User

Figure 4: Retail Packaging in transition: unique requirements - same components.

### Functions

Efficient throughput and profitable sales of goods summarize the nature of grocery retailing. Packaging fulfils a number of specific functions that apply to neither bulk distribution nor a product’s use at home. Some functions relate to instore operations and the complexity of merchandising: what does it take to identify a product at the back of a store, prepare for presentation and put on display? How to dispose of excess packaging, ensure code rotation and keep shelves organised and tidy?

Next to the process of preparing for presentation, packaging of course has to be – and stay – presentable and shoppable. Product visibility, access and stability are generally assumed to be OK. In reality, products can be hard to distinguish or look terrible on a half shopped shelf. Facing integrity means: can you rely on your product to always face the consumer as intended? What if it doesn’t?

### Units

A breakdown of bulk shipments into saleable units is one of most costly activities in the retail process with packaging as a key driver of physical handling and efficiency. Many consumer packs facilitate breakdown at home into portions or doses of ingredients. But secondary and tertiary packaging largely determines the breakdown into store orders in distribution centres and subsequently into sales units on the shop floor. Volumes, turnover and business processes determine whether pallet-, case- or item logistics define unit loads and -breakdown. Unit sizes tend to get smaller in response to certain consumer needs, but the associated inefficiencies are self-evident.



Self service dispensing of dry foods (New Zealand, Internet)

*Self service dispensing units are a particularly efficient strategy to deal with variable demand. This way, consumers fully control how much they actually take home. It may lead to an efficiency boost in packaging, but also to a higher level of consumer involvement with the product.*

*The negatives are space, stock issues, branding and communication, next to appropriate packaging, measuring and pricing. In short: partial redesign of the supply chain. Common for candies and speciality stores for coffee & tea or herbs & spices, nowadays several grocery chains apply them for all kinds of dry and liquid categories.*

### Communication

Instore communication is hot. Interactive technology and innovate solutions help to draw attention to a brand, a product or a specific feature or offer. At the final moment of truth, the package has to reinforce the market strategy, not work against it for lack of consistency in identity, quality and information. The overall perception of the product or brand depends much less on the individual text, the elaborate graphic or a particular feature. Perception depends on the instant impression of how a product appears on the shelf. Within seconds the shopper must be able to grasp the issues relevant to a

purchase decision. In most cases: basic attributes and simple cues suffice. Take out the logistics and reserve elaborate explanations for the kitchen table. Instore, less is more.

Instore functions are interrelated: good applications are not only easy to process, but also make sure products end up on display as intended. This way, suppliers are able to maximise control over instore execution instead of depending fully on the discretion of store managers and the zealotry of their staff.<sup>6</sup> Just visit the average supermarket on a busy day and count the number products placed upside down, back-to-front, fallen over or put (back) in the wrong place. Or simply disappear in the blur, or in the deep of a dark shelf. And ask yourself: does it matter?



Retail packaging at work: room for improvement - what x why x who x how

In the process, packaging not only supports efficient transition from logistics to consumer use, the transition process itself becomes increasingly relevant and generates a separate set of requirements. These principles do not only apply when devising a promotional display. Instead, they work the other way round to make it standard practice. Essentially, this is what retail packaging is about: how to maximise value with instore performance.

### Toolbox

Retail packaging is a virtual reality. As physical solution, it does not exist. Profitable competitive performance is the balance of packaging functions tuned to the store environment in line with market strategies (fig 5). Some floor displays look stunning, but are they really that efficient? Contrary to what most people expect, retail packaging involves very little innovation, development or design. The key to success is application management, which follows the logic of a few simple rules:

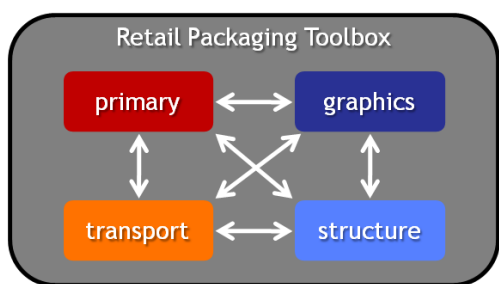


Fig. 5: Mix to fit for purpose

Assess the **relevant functional requirements** of the channel(s) to be served;

Translate these into the right **combination(s)** of packaging **elements and attributes**;

Optimise use of **available components** and materials with the infrastructure in place;

**Control execution** of individual solutions and application in the marketplace.

Packaging technology generally leaves room for a range of executions, with a variety in shape, dimension or materials and graphics. The right combination of available elements makes executions match specific applications or use.

The toolbox approach recognises that retail packaging optimises the combined functionality of both the primary [product] and transport [outer] packaging. Structural design of the combined execution determines a range of physical properties: dimension, units, stackability, stability or handling.



Graphics partly make up for a merchandising nightmare. But is this the intended brand image? (France)



Reinforcing image (WalMart)

But shape, materials used and execution also impact the perceived image – which could work both ways.

Graphics and colour are generally seen as exclusive means to convey brand equity and product image. But this only succeeds when executed in harmony with structural design and instore execution.

### Make the difference

Is adapting packaging to product development and market needs not what companies do all the time? Yes and no. Business systems are most comfortable with processing standards. Pack development is usually geared at replacing one standard by a new version where variations are limited to applying different graphics for product variants or languages. Versions get treated as separate products. When market dynamics call for a higher SKU proliferation there are 2 obvious scenarios:

1. Stick to standards. Serve the market with a limited range of standard solutions. This usually results in middle-of-the-road applications. These products often underperform as they fail to meet specific channel needs. The strategy backfires through opportunity losses in sales value.
2. Off-line repair. Sales and trade marketing adapt products to customer requirements, channel needs or promotions. Delivered performance of added features, repacking or merchandising measures often hardly justify the time, effort, materials and money involved.

*Issues united*

How would you rate the on-shelf competitive performance of each of these products?

And from an operations point of view?

Which of these would have come straight from an automated packing line and could be rated as a standard pack style?

What additional transport packaging could have been used? Would the delivered shelf appearance justify the costs?

How about the one on promotion?

(Spain)



By raising the retail packaging toolbox to standard practice, continuously adapting applications to market dynamics becomes part of the standard process. The key to success is a slightly different approach to efficiency and scale, where the emphasis no longer lies with standard solutions but with the applicability of basic design, packaging technology base and business process. The contribution to sustainable development and efficient use of means and resources is self evident. At the same time, agility and responsiveness reduces the time to market in an increasingly dynamic business environment. In fact, retail packaging is nothing more than making the difference with mass customisation.

**Retail Packaging is not the same as Retail Ready Packaging**

RRP advocates the on-shelf use of transport packaging in order to boost product availability and reduce handling. Valuable insights get wasted in a narrow definition. Retailers and suppliers still struggle with sound RRP strategies, mainly because of this one-sided approach:

- Lack of integration with primary packaging, branding and shopper marketing
- Lack of tangible (or shared) benefits, hence focus on (transport packaging) costs
- Ignored by 'premium' and space constrained (single face only) retailers.

**The road to success**

Adopting a retail packaging strategy requires a different approach to packaging management. Relevant expertise is often embedded in R&D and manufacturing, or outsourced altogether to suppliers, technical service providers or agencies.

The packaging community is crammed with experts: technologists, designers, suppliers. But they can only deliver in response to defined market needs. They may generate opportunities and develop options, but at the end of the day their control over executions and applications is fairly limited. Key decisions are often made elsewhere, without sufficient comprehension of the interface with core interests. Successful companies invariably embed application management in their business process.

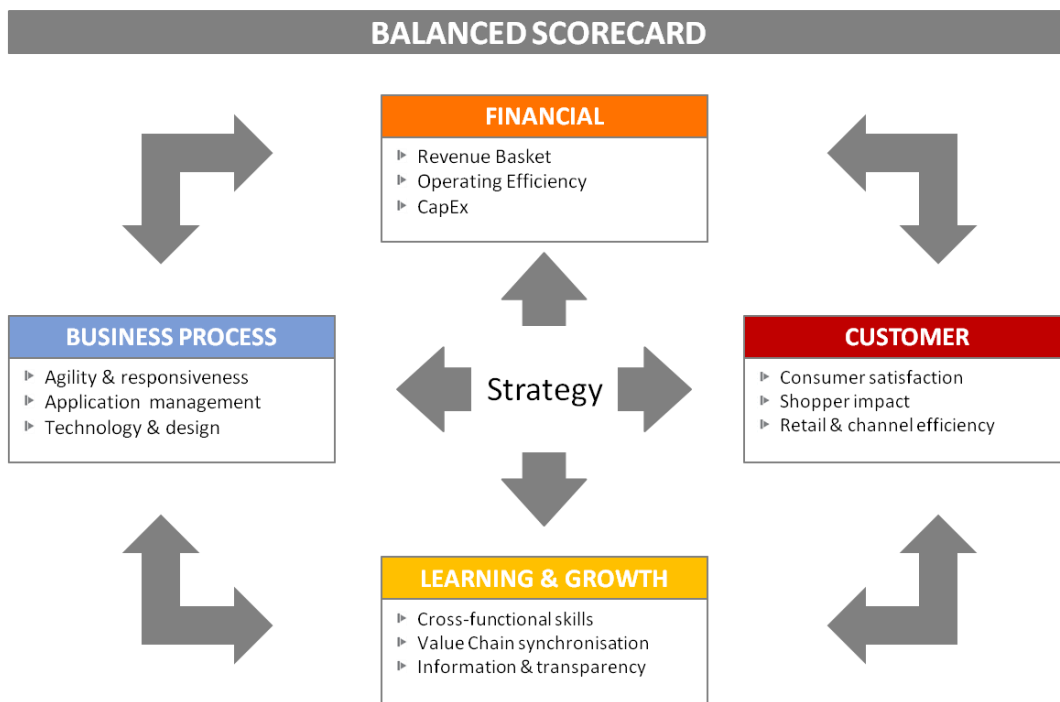


Fig. 6: The balanced scorecard provides an organisation perspective on retail packaging.

Business implications are best reflected by a balanced scorecard (fig.6). The mix of financial, customer related and business process elements are linked to continuous improvement, learning and growth. The wider strategic and organisational impact exceeds, but does not replace, the design or manufacturing challenge. On the contrary, it provides a valuable framework that adds to profitable packaging strategies.

At least 3 critical areas must be resolved in order to succeed:



Yet, it is up to product supply to fill the toolbox sufficient possibilities and manage cost-effective agility. Transparency of cost impact in a wider business context is indispensable. It will be up to sales and marketing to decide how the balance helps to maximise business value in the marketplace.

### A leadership challenge

Implementing retail packaging as a commercial strategy and a business process will not succeed without proper management support. Companies must devise a manufacturing and distribution infrastructure to efficiently process a variety of executions for similar products.



Promotion based on standard packaging (Poland)

Portfolio management matching basic designs with custom applications provides scale and drives efficiency. Smart business systems may facilitate transparency, speed and control between disciplines – and business partners.

As standard practice, retail packaging is subject to continuous improvement with development of required skills matching a sophistication of the packaging toolbox over time.

The shockwaves of product and market dynamics reflect a completely different lifecycle than the infrastructure that needs packaging as a distribution vehicle. Retail packaging sets performance standards that help synchronise available means with market demand.

Successful retail packaging does not stem from a single creative design, but starts with vision and the strategic decision to make a sustainable and lasting difference. In short: leadership.



Being different is the very nature of grocery retailing: across countries, channels, formats and categories. (Netherlands - Spain)

### Notes

- 1 ISO 21067/WD 16209/WD 16210 – Standards in the field of packaging and the environment 2011
- 2 Consumer Goods Forum: Global language for packaging and sustainability & Sustainable Packaging Coalition: Indicators and metrics framework, 2010
- 3 Long Tail Media in the Store – Herb Sorensen / TNS Sorensen – Journal of Advertising Research, 2008
- 4 Shape of thing to come - Daniel Pink - IBM Institute for Business Value/Wired 2003
- 5 Impaqtum - Competitive Presence analytical tool
- 6 Der Lebensmittelhandel in Europa 2009 - Planet Retail / Lebensmittel Zeitung
- 7 Design for Retail Realities, Scott Young,/Perception Research Services – Brand Packaging, 2009
- 8 ECR Europe – Blue Book on Shelf Ready Packaging & Business Case, 2005.

Images: All pictures of European stores: M.C. Bouvy, field trips in recent years.  
Charts: © Impaqtum 2011