

Shopper-ready packaging: The best packaging solution for the shopper, retailer and the brand owner



Maintaining the optimal shopping experience is challenging, particularly when it comes to keeping products stocked, organized and well displayed.

To drive down in-store labor costs, many retailers pursue shelf-stocking practices aimed at efficiency or push manufacturers for retail-ready packaging — especially for products with small primary packaging and a large number of SKUs. Consequently, this can hinder a brand's shelf image.

As an alternative, shopper-ready packaging enhances stocking efficiency, while improving the shopper experience with better organization, and increases on-shelf availability and presence leading to higher sales.

Why retail-ready packaging makes sense — to the retailers

In case you haven't noticed lately, many retailers have implemented retail-ready packaging solutions in their stores. Retail-ready packaging (also referred to as shelf-ready) is packaging that provides an efficient means of stocking full cases of product on the shelf rather than stocking individual units.

Retail-ready packaging constructions may have a top and side panel that perforate off, exposing the product. Any use of branding or design is minimal, if at all.

From the retailer's perspective, it makes good business sense to pursue retail-ready packaging in their stores. Data from the Willard Bishop Superstudy¹ suggests that grocery retailers

lose 40–60% of their profit margin due to activity-based costs — including warehouse, transportation and store costs, and labor. In some categories, retailers actually lose money where the product has a high SKU count, small primary package and slow-to-moderate sales velocity. Baby food is an excellent example. The average jar loses 9 cents for the retailer when it's stocked and faced by individual unit. Stocking a case of 12 units at one time reduces labor by at least two-thirds. Consequently, no one should be surprised to see baby food on store shelves in cut-down corrugated cases.

The retailer's perspective is that retail ready is the smartest, most efficient way to stock products and drive profitability. However, there's more to the story.

Shoppers have a different opinion

The average American shopper's perspective on retail-ready packaging may be very different from that of the retailer. Try to imagine this scenario:

A female shopper does her weekly food shopping at her favorite grocery store where she's been shopping for many years. Suddenly, on her regular trip one week, she has her first encounter with retail-ready packaging in the canned vegetables aisle. She's looking for her favorite brand of canned green beans. The corrugated trays are hiding the label on the can so it takes her longer than usual to find the variety she is seeking. She eventually asks a stock clerk for help.

Next, she looks for canned pasta for her children. The national brand is in a brown tray that has brand graphics but no specific variety information. Next to the national brand is the private label brand, and it's packaged in a similar tray. Because they look so much alike, she wonders if the national brand is really worth the extra money.

Moving on to the next aisle, she focuses on pouches of tuna. In this case, the tray is clearly marked with the brand and variety but the item appears to be out of stock. She doesn't notice the full tray of product on the shelf behind the empty one.

Finally, as she wraps up this trip, she encounters retail-ready packaging again in the freezer case. In this case, she has difficulty removing the frozen entrée from the corrugated case because the shelf above is too close and makes it nearly impossible to shop.

After a frustrating and cumbersome shopping experience on this particular day, the shopper makes her way to the checkout line at the front of the store. She wasn't able to get all of the items she came for, because she was unable to find them, and her overall shopping experience was less than optimal.

The retail-ready packaging that this customer encountered on this shopping trip will ultimately cause her to question whether or not she wants to return to this retailer again in the future. And if she does continue to shop here, she may feel justified in expecting lower prices because of the "discounter" image that the retail-ready packaging environment is creating in her mind.

With the increased attention to shopper marketing in today's competitive marketplace, shoppers' reactions to this new retail landscape cannot be ignored. Research shows that the "First Moment of Truth" — the decision-making moment to buy or not to buy for shoppers when they're at the shelf — is a critical

moment for brands. Therefore, it is imperative that the product is easily recognized, well stocked and organized at all times.

Surely, there are alternate solutions to retail-ready packaging to address the challenges faced by retailers while still providing benefits for the consumer packaged goods (CPG) manufacturer and, most importantly, the shopper. This balanced approach to developing solutions requires collaboration between retailers, brands, distribution partners and packaging innovators. The solutions must be grounded in shopper insights that evaluate the shelf image of the brand, the category and the entire retail environment. While the retailers may feel that retail-ready packaging is the smart way to stock efficiently, the benefits must be weighed against the potential impact on the shopping experience.

Manufacturers' reactions to retail-ready guidelines

Many retailers have proactively published retail-ready packaging guidelines that spell out their criteria for on-shelf packaging. In response to these guidelines, CPG manufacturers tend to fall into three broad categories:

- Smaller and mid-tier manufacturers, fearful of a potential loss of shelf space, have moved swiftly to comply in spite of their misgivings about this transfer of cost and the resulting packaging complexity.
- Larger manufacturers, realizing how these complexities might negatively affect their operating costs, have taken a "wait and see" approach, hoping the economy will improve and relieve a bit of the pressure from an increasingly powerful retail community.
- Very few, proactive manufacturers — mostly multinationals who have already faced similar pressures in other parts of the world — have developed their own strategies for packaging and have presented viable, win-win alternatives.

Having a well-designed packaging strategy, rooted in a clear understanding of how solutions will affect shopper behaviors, allows the manufacturer to take a proactive role, rather than a reactive one in the merchandising process. Unfortunately, most manufacturers aren't at this point yet. They are still trying to evaluate the true impact of retail-ready packaging or they are taking a "wait and see" attitude.

Shopper-ready packaging puts the shopper first

For a CPG brand to develop a shopper-ready packaging strategy, there must be a high level of collaboration across a number of functions that don't typically work together. Representatives from operations, packaging, marketing, merchandising, consumer/shopper insights and category management all need to align on the objectives of a shopper-ready packaging strategy to ensure maximum effectiveness. The various functions can begin by agreeing on a definition for shopper-ready packaging, such as the following:

Shopper-ready packaging is a hybrid system of packaging and merchandising that improves the shopper experience with enhanced organization. It also improves retailer profitability by enhancing stocking efficiency and increasing on-shelf availability and presence. All of this ultimately results in increased sales for the retailer and a more positive shopping experience for the shopper.

The graphic below illustrates this balanced approach where shoppers are the focus, and brands and retailers meet in the middle.



- Shoppers must be able to easily locate the category and the variant they are seeking. Selecting the product should not be impeded by the shelf. Any fixture or display must provide a means of easily replacing the product should the shopper choose not to purchase. Overall, the shopping experience should be enhanced by the shelf presentation of the product.

- Retailers have many requirements, but the basic message is to make products easy to identify throughout the supply chain and easy to open, ideally eliminating the need for a box cutter. Products must be easy to stock, reducing the motions required to place multiples on the shelf and effectively utilizing the available cubic space. Packaging must be easy to break down and discard, and made of recyclable materials.
- CPG brand owners require their packaging be easy to fill in their packaging lines. Often, this will necessitate retrofits to existing equipment or investments in new packaging equipment. Thus, creative partnerships with packaging and/or equipment suppliers can help mitigate the capital costs required to execute on these solutions. Such equipment changes can also create new packaging formats which, in turn, open up opportunities for new classes of trade — such as “club stores” — where multipacks are typical.

The goals of shopper-ready packaging solutions

Brand differentiation

While the packaging solutions need to help differentiate the brand on the shelf, surely most retailers will look for category solutions, and often, brands might be reluctant to fund improvements that also help their competitors. However, if the category becomes more profitable for the retailer and the entire category experiences sales lift, then everyone wins. As a first mover in the category, leading brands with innovative solutions will be able to influence the pace of execution and, ultimately, will have “category captain” influence on the plan-o-gram. This differentiation must be seen in the context of the category as well as against adjacent categories in the aisle. A more organized shelf can, by itself, serve as a disruptive force by establishing a neat, orderly merchandising display.

Ease of distribution

Packaging solutions must be easy to distribute for the brands. Distribution considerations include a package that withstands a compression load on a pallet, optimizes the pallet configuration and can be conveyed without damage. As full pallets of product are broken down in distribution centers and repacked as mixed pallets, packaging must continue to protect the product inside until it arrives safely at the retailer. Finally, packaging must be robust enough to withstand the potential for damage throughout the supply chain and end up on the shelf without damage.

Justifiable investments

For a shopper-ready packaging solution to be viable for the brand, the investments required must be easy to justify. If a brand is simply complying with a retail-ready packaging requirement and there is only added cost, there's no reason to expect a return. If, however, the brand is proactively working with retailers to translate shopper insights into viable, working solutions, it's perfectly reasonable to expect a payback.

Paybacks can take a number of forms. A reduction in costs, such as a net reduction in packaging materials, more product on a pallet and less damaged product are all examples of how a brand can offset their investments. Paybacks can also come in the form of sales lift where the brand and/or category grows as a result of the innovation. Finally, when a solution improves the profitability of the retailer, brands can be paid back with increased shelf space and preferential placement. As brands and retailers collaborate on these category solutions, value can be shared as can the required investments.

In the end, shopper-ready packaging success is measured on the impact to the overall shopping experience. It's clear that the look of on-shelf packaging has a profound impact on the perception of the retailer. Shoppers may alter their price expectations when they see retail-ready packaging prominently in the store. Investments made to create a satisfactory shopping experience may be negated by a short-term reaction to cost pressures in the retail environment. Instead, innovative solutions that provide balanced benefits for the brand, retailer and the shopper are well worth the time and investment to get it right.

Captivate™ shopper-ready packaging solutions

At MWV, we see shopper-ready packaging as the solution that drives efficiency even further upstream in the supply chain than retail-ready packaging.

MWV introduced its patented Captivate² family of shopper-ready packaging systems in 2010. This revolutionary new dispenser and cartridge system was designed to enhance

brand presence with a larger billboard and showcase product breadth by making the variations more easily noticeable. Captivate shopper-ready solutions are fully customizable to fit the unique needs of most any category and it is especially ideal for hard-to-shop categories.

The system was developed to yield the most positive experience possible for the shopper, the retailer and the brand owner:

- Shoppers can easily find the products they're looking for and won't experience out-of-stock items as often.
- Retailers can reduce labor costs, stock product more safely and increase efficiency in the areas of identification and disposal.
- Brand owners can showcase their product with customizable packaging, enhance their brand equity and enjoy flexibility in promoting their packaging.

MWV worked with TNS³ to conduct shelf tests of the Captivate system in 2010. From 200 shoppers and 12 store employees, TNS concluded the following key insights regarding Captivate:

1. Reduces shopping time by **13%**
2. Reduces stocking time by **67%**
3. Increases purchase intent by **115%**
4. Creates a significantly better impression of both brand and retailer, compared to existing product merchandising.

For more information on Captivate solutions, please contact Laura Ward at [804-444-5202](tel:804-444-5202), or email us at captivate@mwv.com.

¹ Willard Bishop Superstudy, 2009

² U.S. Patent No. 7,922,437

³ TNS shelf testing among canned food consumers and retail stocking staff and management, December 2010