

“Retail Ready Packaging”

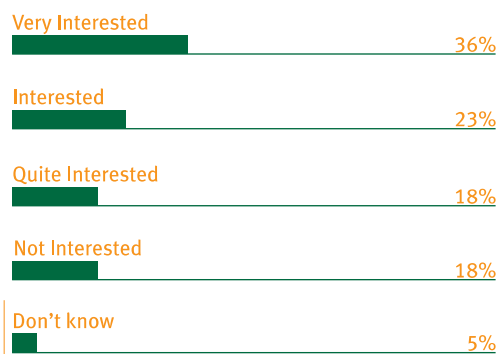
Pro Carton



“A study into the attitudes and feelings of Brand Owners and Retailers toward the future development of Retail Ready Packaging”

A report commissioned by Pro Carton

% of Brand Owners interviewed



PRO CARTON

Association of European Cartonboard and
Carton Manufacturers

“A study* into the attitudes and feelings of Brand Owners and Retailers toward the future development of Retail Ready Packaging”

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*PRISM – Packaging Research Intelligence Strategies and Marketing Limited – was launched in 2003 by Simon Southern following the acquisition of Marketpower Ltd by Landell Mills Ltd. PRISM provides market research and strategic marketing consulting dedicated to the packaging industry.



Introduction

A growing market: Retail Ready Packaging

I am very pleased to be able to introduce this summary of the report on Retail Ready Packaging (RRP) that Pro Carton recently commissioned. Both retailing itself and the methods used for moving goods from the point of production to the point of sale are constantly changing and improving and one of the most important developments in this area has been the rapid adoption of shelf ready or retail ready packaging. Pro Carton has recognised these changes and wished to look in greater detail at the needs so that we could ensure that our member companies were fully updated on these developments and could plan to ensure they could meet the requirements placed on them both by brand owners and retailers. It was also important that this study was carried out independently and we are therefore grateful to PRISM who took on this challenge and have presented us with a detailed and informative report that gives new insights into Retail Ready Packaging.

The primary objectives of the report were as follows:

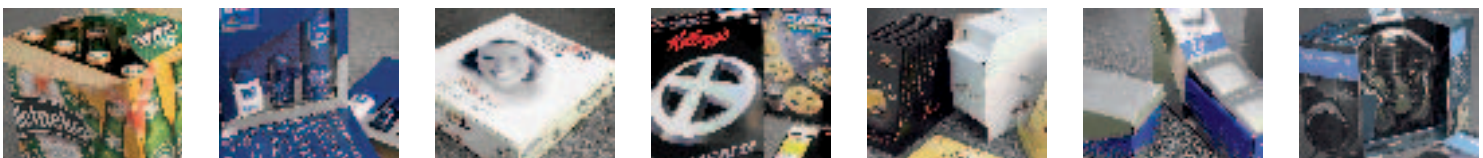
- To establish the key factors influencing the adoption of retail ready outer packaging
- To establish the attitudes of multiple retailers towards the adoption of retail ready outer packaging
- To identify the attitudes of brand owners supplying the U.K. market concerning the ways in which their brands are being presented to the consumer and their interest in alternative solutions based on attractively designed and printed cartonboard and microflute outers



Mike Clark,
President of Pro Carton

We have sought, in writing this review, to give an accurate summary of the findings of the full report and hope that you find the information it contains both useful and interesting in this constantly changing packaging environment.

Both retailing itself and the methods used for moving goods from the point of production to the point of sale are constantly changing and improving and one of the most important developments in this area has been the rapid adoption of retail ready packaging (RRP).



Overview

New challenges in packaging



Richard Dalglish,
Managing Director
Pro Carton

Retail Ready Packaging has become one of the major areas of change in retailing as retailers look constantly for ways of improving efficiency and on shelf availability. Packaging plays a key role by improving merchandising productivity and enhancing display appeal.

Pro Carton therefore commissioned PRISM to look at this development independently so that we might gain a full and better understanding of the needs, aspirations and feelings of both the retailers and brand owners. During the course of the research it was found that there were two key elements that were critical and these were as follows:

- There will be a continuing reduction in the sizes of outers as retailers wish to offer a greater variety of products

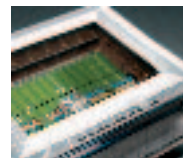
- Brand owners will want their products to be presented in an optimal manner to ensure that the brands are well displayed to potential buyers

The reduction in the size of outers that is foreseen offers greater opportunities to the carton sector as cartonboard or microflute are more suited to these smaller packs. The quality of print that can be applied to cartons and microflute can offer a higher visual impact at the point of sale and more truly reflect the image displayed on the primary packaging. This will be most apparent in certain sectors of the market such a beauty and cosmetics, confectionery and higher value food items.

For this report 12 of the leading multiple retailers across Northern Europe covering the range of different retail models were interviewed in depth. In addition 22 leading Brand Owners were interviewed along with trade associations and industry experts.

The spread of brand owners interviewed

Market Sector	No. of Interviews
Foods	
Biscuits and cakes _____	3
Chocolate and sugar confectionery _____	4
Dehydrated foods and beverages _____	2
Frozen foods _____	3
Other foods _____	2
Sub total _____	14
Non Foods	
Houshold cleaning products _____	3
Toiletries and health care _____	3
Pet Foods _____	1
Other non foods _____	1
Sub total _____	8
Total _____	22



Background continued

Packaging projects product image to consumers

With advertising becoming more and more fragmented with the rapid growth of new media, packaging plays an increasingly important role at the point of sale. It is generally accepted that about 70 – 75% of purchasing decisions are made in store and as a result, it has become increasingly important for brand owners to ensure that their image is projected well so that their products can be easily and quickly recognised on shelf. As a result of this need, much development has been invested in ensuring that the primary packaging is attractive as well as functional. With the adoption of retail ready packaging it is seen as important that this image is carried through to the appearance of RRP on shelf. However, efficiency through the supply chain is also a critical factor and it is the challenge of combining the appearance and efficiency aspects that is facing packaging manufacturers.

In addition, brand owners recognise that as the proportion of older people increases they have needs which differ in some respects from other shoppers and so packaging design needs to take account of these needs. Any reduction in the visibility and easy recognition of products at the point of sale can affect sales so RRP has to be designed in such a way as to overcome this. In summary the need for improvements in merchandising efficiency and reduced incidence of out of stock situations has to be combined with easy brand recognition and simplicity of use so that consumers are not deterred from selecting a product.



Brand owners wish their brand to be easily and quickly recognised on the shelf.

Recognition at the point of sale is critical as the range of products increases and the time taken in shopping decreases.



Attitudes of Retailers

Overall, how satisfied are you with RRP?

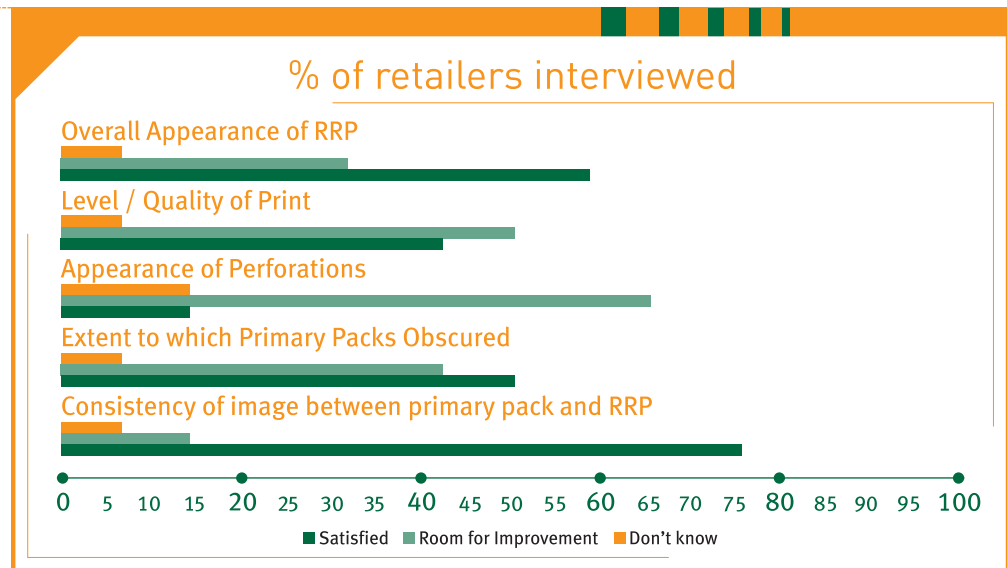
During the course of the study, of the 12 retailers interviewed all except one were adopting RRP. Some retailers were more advanced than others in this respect. Deep discount retailers were also covered by the study to ensure that the range of differing types of retail models were covered. In general the UK based retailers were further forward than many of the retailers in continental Europe but it was noticeable that all those who were implementing RRP strategies, were looking at all product categories though adoption of RRP would be more widespread in some than in others.

The level of overall satisfaction of RRP amongst retailers is summarised in the chart beneath which shows that areas that were thought to be less than satisfactory were the appearance of perforations and the general level of print quality.

"There is still plenty of work to do here – getting the right sizes to work well on the shelf, integrating the design of the Retail Ready pack and the primary pack."
 (French retailer)

"RRP is doing a lot of work on the shelf for you. First thing the customer will see. If it is not good quality then it will reflect on the product and they won't buy."
 (UK retailer)

"Perforations are not usually very good. Much simpler to have a base with a lid you remove. Both supplier and store employee are responsible for nice clean perforation."
 (UK retailer)

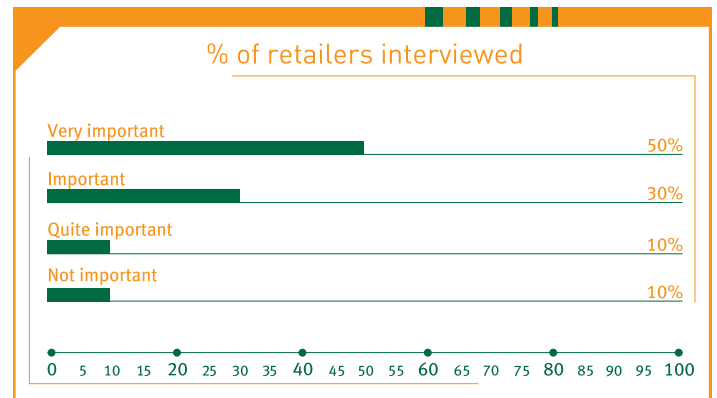


Attitudes of Retailers

High consistency between primary packaging and Retail Ready Packaging

The need for consistency between the primary packaging and the RRP was also thought to be an important issue. Without this consistency brands can be more difficult to recognise and when questioned 80% of retailers said that it was either important or very important for the RRP to project the same image as the primary pack.

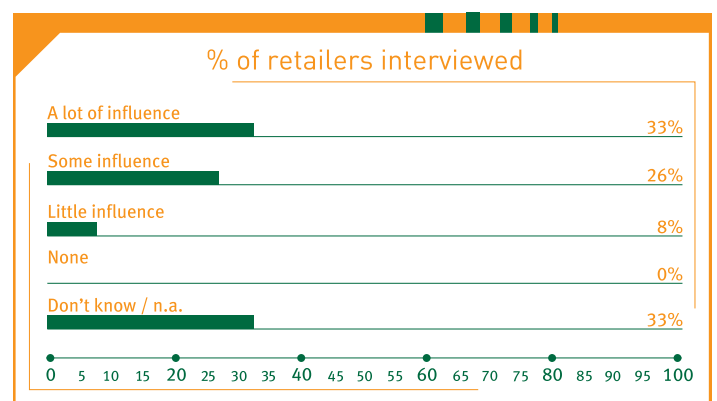
How important is it for the RRP and primary pack to project the same image?



"It helps the brand. If the RRP is of a lower quality it degrades the brand image. On the other hand if everyone does it the same way there is no differentiation between the brands." (Netherlands retailer)

What influence does RRP have on sales turnover?

Retail ready packaging has a significant influence on sales turnover according to the findings of this report. No respondents thought it had no influence at all and nearly 60% felt that it has either some or a lot of influence. This indicates that by ensuring that the design and construction of RRP is as good as possible, it should lead to increases in sales.



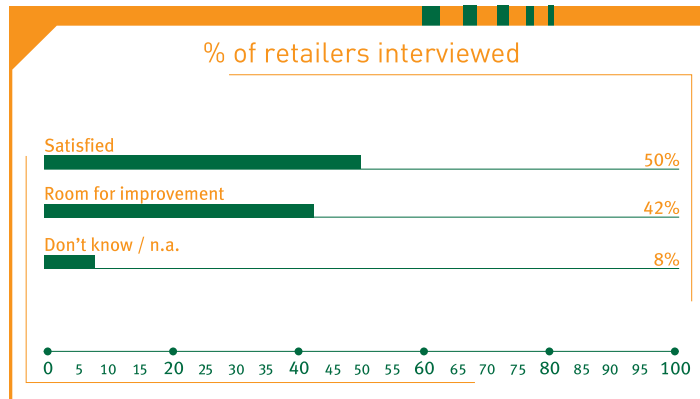
"I think it's a positive influence ... I don't have any data on it but I think it helps the sales levels. I think it's because the presentation is better and the appearance on the shelf is better and the consumer sees it faster, which aids the turnover." (Belgian retailer)



Attitudes of Retailers

Visibility on shelf

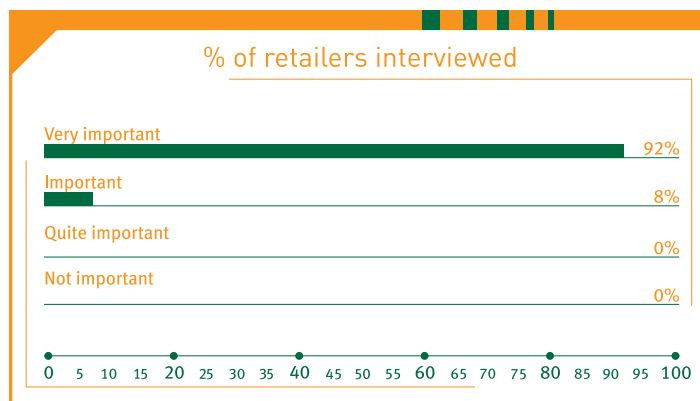
Are you satisfied that RRP does not obscure the brand on the primary pack?



“This is a big factor and a reason we held a trial up on chilled food RRP. You design the primary pack and don't want to see it covered, so we had to rework a few things. Yes, it does restrict the amount of space you can use on your primary pack.” (UK retailer)

Visibility on shelf is a very important issue and so the report wanted to establish if there was any concern with current designs of RRP obstructing the view of the primary packs they contained. This it is felt is of particular importance to older shoppers where easy recognition of the brand they are looking for is so important. Whilst half of the respondents expressed satisfaction with the current designs, 42% commented that there was room for improvement.

How important is it for own label brands to be attractively displayed



“We have to compete with the brands. We've worked hard to make the packaging eye catching. It's literally the packaging that does the talking.” (UK retailer)

“Brands and own label need to adopt exactly the same criteria – so it is easy to replenish and easy to shop and better for our customers – simpler for our staff.” (UK retailer)

The report also asked specifically about own label products by enquiring about the importance of own label brands being attractively displayed. This was seen by all respondents as a most important issue with all agreeing that it was either important or very important.



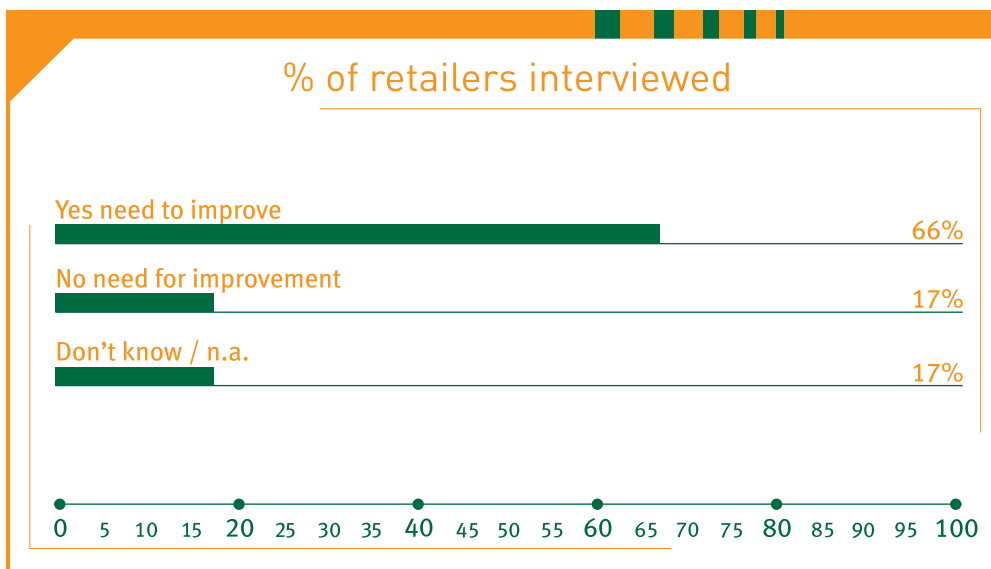
Attitudes of Retailers

Is there a need to improve the appearance of your RRP?

Retailers were asked if it was necessary to improve the appearance of RRP in order to improve the image created by the packaging and two thirds of the respondents felt that there was a need to improve.



Easy recognition of the brand on the shelf is of high importance.



"Not at the moment but I think in future it will be. At the moment we are in quite good shape as we already have printed RRP for our own label products. Once the brands are catching up, which they are doing by degrees, we will need to improve our RRP to be able to differentiate again."
(German retailer)

"By clever use of materials. If you go for the cheaper board the print won't look as good."
(UK retailer)

"Current RRP does nothing to enhance the image on the shelf."
(UK retailer)



Attitudes of Brand Owners

Overall, how satisfied are you with RRP?

Brand owners wish the primary pack as well as the outer pack to be consistent and to display the brand.

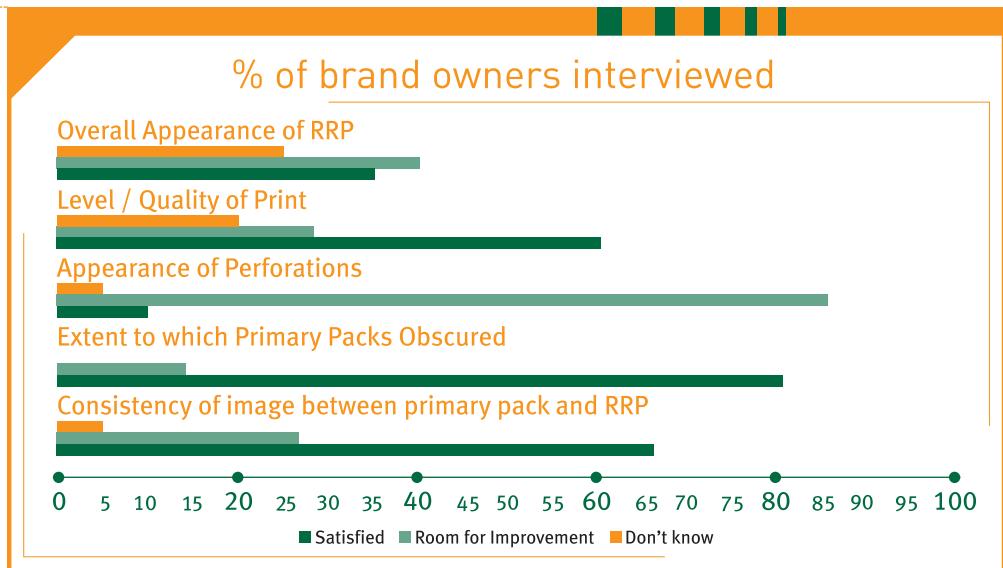


As with the retailers interviewed, the brand owners were asked about their satisfaction with various aspects of current Retail Ready Packaging. Once again it was the appearance of the perforations that caused most of the dissatisfaction but the marked difference between the two groups was in the consistency of image between the primary pack and the outer pack. In the case of the brand owners, the majority felt that there was room for improvement in this reflecting their desire to have their brands displayed as well as possible at the point of sale.

“It really varies ... some of it is pretty good and most of it is pretty average. I’m sure there is a lot more we can do.” (Foods & Pet foods)

“You’ll never be completely satisfied. These things can always be improved and will be continually improved. We know there is a lot to be done. I think it will move towards more sophisticated packs and better graphics.” (Food, Household cleaning, Toiletries)

“There is room for improvement from a print and finish point of view. If you use perforations the RRP becomes untidy.” (Foods)

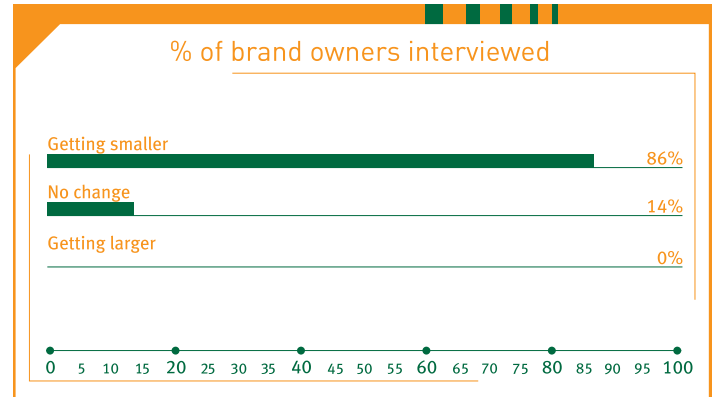


Attitudes of Brand Owners

Outers get smaller

How do you think the sizes of outer packaging will change in the future?

It was important to establish brand owners' views on the changing sizes of outers and as can be seen nearly 90% of those interviewed said that outers would get smaller as there were increasing demands to get more products on shelf. This will mean redesigning many types of RRP as well as a move toward greater use of cartons and cartonboard.

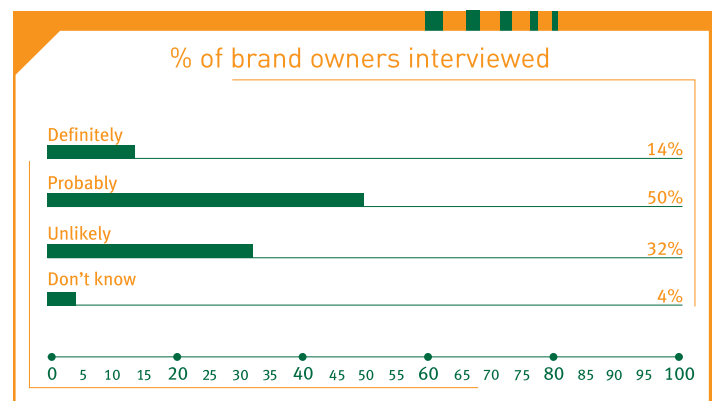


"We are having to be more clever and smart in terms of how many we fit on to the retailer's shelf so we're having to modify packaging and reduce the size of packaging to compensate." (Cakes & biscuits)

"Quite significantly. We are moving smaller – from 6 to 4 and in the 6's a change of format from 2x3 to 1x6." (Cereal products)

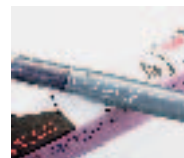
How important is it for your brands to be attractively displayed?

The report also looked closely at the brand owners' views on how their brands are displayed at the point of sale. With many purchasing decisions being made on impulse, the easy recognition of brands was felt to be very important with over three quarters of those responding saying that this was very important.



"There is a lot of choice in the shops and you'd want your product to be at the forefront." (Cakes & biscuits)

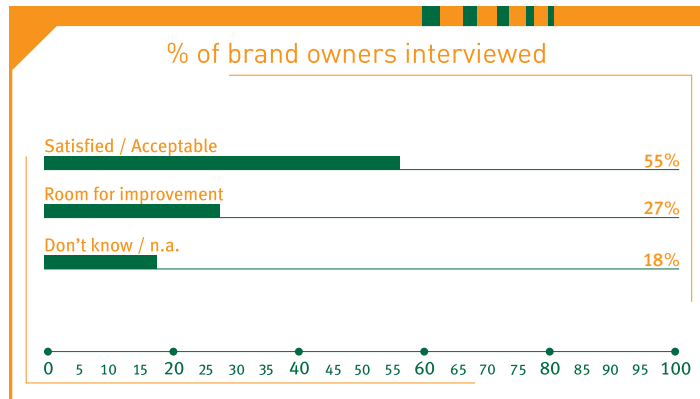
"The better we can have the products looking on the shelf the more we're going to sell." (Cakes & biscuits)



Attitudes of Brand Owners

Cartons and cartonboard offer excellent print reproduction

How satisfied are you with print quality on current RRP?



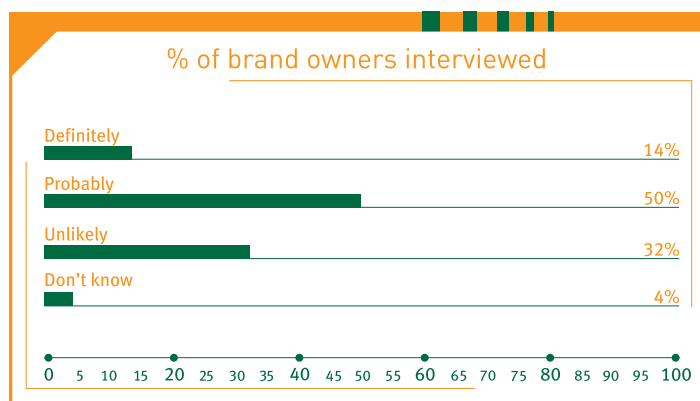
"It needs to be better than what is on the market at the moment but then there's a cost implication. The board itself too, it's not just the print – it needs to be a good quality to get the print. Another cost issue." (Cakes & biscuits)

We use solid board with multi coloured print outers. To one of our major customers we supply all their RRP as printed solid board cartons. They are better quality than many due to better quality board and better quality print. It looks better and is a requirement of that retailer." (Frozen & chilled foods)

"We are not matching the quality of our primary pack with RRP but we are introducing some in board RRP which allows a better quality of print." (Toiletries)

One area where cartons and cartonboard can help greatly is in the area of print quality. Cartons are regarded as having excellent print reproduction and can offer additional effects and finishes. All these come together in primary packaging to offer high recognition possibilities and also eye catching design. Both of these aspects are vital in persuading shoppers to buy and cartons offer this high quality as a matter of course. In view of this, brand owners were specifically asked about their satisfaction with the current print quality of RRP and whilst 55% said that it was acceptable, one third felt there was room for improvement.

Are you prepared to consider a modest on cost to improve RRP?



"In some cases, in the right circumstances a modest on cost may be justifiable." (Foods)

Cost will of course play an important role so brand owners were asked if they were prepared to pay a modest on cost to improve the way in which their brands were displayed in RRP. Nearly two thirds of respondents said they would possibly or definitely be prepared to pay a modest cost increase to see improvements in RRP.



Attitudes of Brand Owners

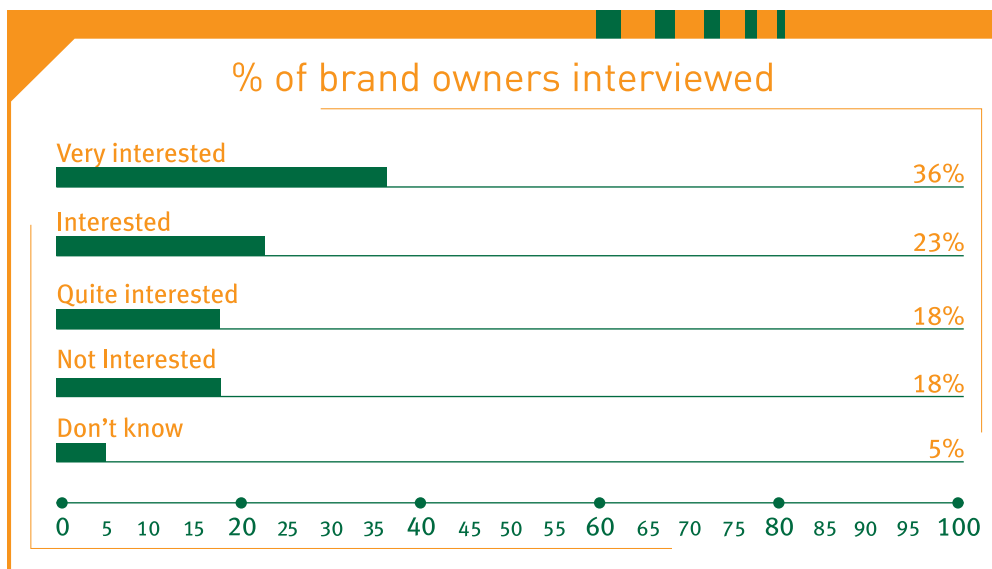
How interested are you in considering the use of litho printed cartonboard or microflute for RRP?

Brand Owners were asked how interested they were in considering using litho printed cartonboard or microflute outer packaging subject to the outers satisfying transit protection needs. Of all respondents only 18% said that they would not be interested and therefore the vast majority would consider using higher quality RRP so that their brands were

better displayed and more easily recognised by the consumers. The findings earlier in this report about the reduction in the sizes of outer packaging will facilitate the move to cartons and every day new ideas are being put forward by carton makers to improve the quality levels of RRP to offer a real alternative for Brand Owners.



High potential for cartons: The demand of higher quality RRP might lead to an increase of using cartonboard.



“This is the way we’ll end up going – have done trials in these a few years ago. It was easier to open the pack and on the shelf displayed well. It was cartons of cakes in a microflute tray with transit hood in conventional corrugated and then shrink wrapped. Wouldn’t be surprised if something like this came back.” (Cakes & biscuits)

“We’re interested in any technology that’s out there that produces better quality at an acceptable cost. We wouldn’t rule anything out.” (Food, Household cleaning & Toiletries)



Conclusion

The way forward

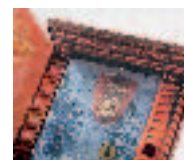
As can be seen from this independent report, there appears to be significant interest in greater use of both cartonboard and microflute base retail ready packaging. The main reasons for this are as follows:

- A move to smaller outer packs encourages the use of cartons
- A desire to see an improvement in the quality of the print that is readily achievable on cartons
- A need for better, cleaner perforations to function well and look more appealing
- A better synergy between primary and outer packaging so that the outer pack enhances shelf presence without obscuring the product
- A better portrayal of image on the shelf at the point of sale so that recognition is faster and the chance of purchase greater

There is no doubt that cartons can fulfill these needs and deliver higher quality and more attractive shelf ready packaging.

The innovative capability in the carton manufacturing industry is constantly finding ways of improving performance and delivering value to customers through offering products that fulfill needs throughout the supply chain whilst giving brand owners and retailers alike the best possibility to increase sales.

Both the cartonboard and carton industries are advancing technologically all the time, leading to improvements in quality, efficiency, design and understanding of customer needs. These elements then combine to ensure that carton makers can deliver economic, practical and elegant solutions to meet the packaging needs of both brand owners and retailers.





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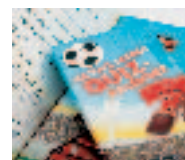
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What is Pro Carton?

Pro Carton is the European Association of Carton and Cartonboard manufacturers. Headquartered in Brussels, it has offices in 11 countries in Europe who, through various publications, activities and events, promote the use of cartons and cartonboard to a wide variety of people and groups.

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