

FDIN Round-Up ; Packaging, 23rd October 2013

Notes and commentary from Tim Nicol to supplement the speaker slides

Packaging may often be disposable, but from the packed attendance at Staverton Park on 23rd October it was obvious that it is an indispensable and fundamental element of innovation. We were in the safe hands of Andrew Streeter- an old friend of Jeffrey, he has chaired many FDIN packaging events. Andrew was described as having been “at the epicentre of the packaging industry for years” and certainly knows his way around the industry and indeed the globe. He is clearly an evangelist for ensuring packaging is a key component of the innovation process and takes the view that products today are very similar but packaging makes the difference. Andrew’s theme was that packaging that makes a real change makes a difference to purchase and use, and packaging is a key component of the brand. It is a medium for communication, we socialise with packs, and there is legal ownership of shapes now. Packaging can add value and is multifunctional and even emotional. Andrew’s approach to investment was also a challenging one and he encouraged the audience to think of packaging as assets and how differentiation can leverage asset value. He presented a hierarchy of asset value, of function to lifestyle value to sustainability and used several examples from Japan to illustrate the leading edge of packaging developments. While understandably interspersing this presentation with credentials for his business, CPS, he was able to show how an understanding of the Japanese mindset and culture explains the dramatic differentiation in some of the packaging seen on shelf in Japan. His conclusion was that aspects of Japanese culture define aspects of packaging such as appearance, respect, quality, uniqueness, good function, and exclusivity. All this is done with sincerity and simplicity as the root of the pack beauty, and represents a marriage between cultural and more functional influences. Powerful stuff.


Andrew then introduced Blake Howard, Senior Vice President of Affinova who travelled all the way from Cambridge Massachusetts to present her company and its approach to packaging development. Grounded in the practice of

bringing art and science together, Affinova describes itself as a marketing technology company that grew out of MIT Boston. There was some good data to back up another set of claims for the importance of packaging.

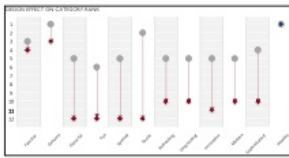
For example, Datamonitor say that over 50% of purchase decisions are made at the shelf, and McKinsey claims that over 40% of consumers change their mind at the point of sale.

This is reflected in current packaging

54% of in-market packaging diminishes key brand perceptions instead of enhancing
– Affinova packaging audits



Only 50% of new package design provides a notable improvement over existing packaging, a coin toss
– Affinova & PRS International



It's important to get design right, of course- on the downside Tropicana lost \$33 million in around six weeks when they changed their graphics alone but on the upside, Kroger Own Label grew sales of diapers by 20% in six months when they changed theirs.

Again we heard that packaging is underinvested- Affinova's design audits show that 54% of packaging diminishes brand perception and only 50% of new packaging improves the category ranking, this was pointedly described as a "coin toss". Blake then proceeded to take us through the Affinova process of design optimisation, with uses "evolutionary algorithms": Explore, Optimise, Benchmark.

Grimbergen Case Study



Challenge
Make a beer steeped in tradition relevant to a younger audience while maintaining its identity

Exploration
Agency worked with the Carlsberg team to fully explore design options, including:

- Bottle shapes, Sizes, Embossments, Label Graphics, Label Placements and Cap Decorations

Optimise and Benchmark
Used **Design Optimiser** to assess many design directions and establish core design

Results
New bottle launched in 9 markets throughout Europe and Asia, with **double digit volume growth**

25 

A good case study of Grimbergen beer from Carlsberg was presented and verbal data quoted that showed much better than average uplifts for this approach to packaging development. Blake then plugged her "after party" offer to appraise designs for clients in the room. Fair enough- she had come a long way.

Blake was followed by Sue Night, the Head of Marketing at Sacla', who gave us a

Our Idea to bring out the Italian in you!

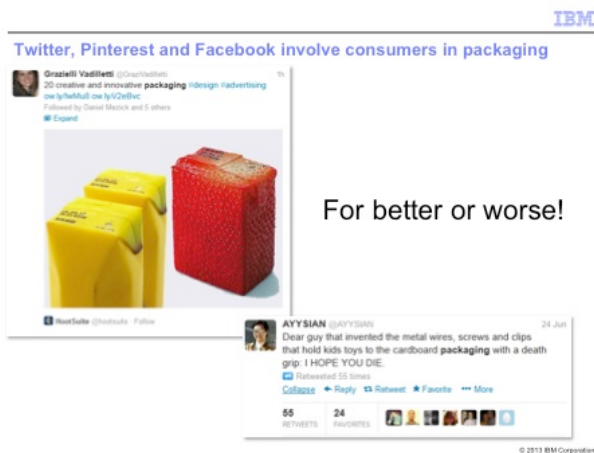



short and very modest presentation on the development of Sacla' squeezable Pesto. Having been presented with an award with a packaging award for Sacla' Squeezy she gave a "straight from the heart" case study showing the ability of packaging to help people being creative with food. This is the second conference running where we've had a good lesson in how the typical Italian love of food can be combined with modern packaging and

technology solutions to grow penetration and usage of a classic Italian product. It clearly hits a usage requirement amongst foodie consumers and whilst not

“rocket science” is the kind of no-brainer idea that you wish you had thought of before you saw it. In this case it has been the packaging format alone which has extended use by demonstrating the versatility of the product itself, and with further pack graphic developments and trials of alternative siting in the pipeline, it is clear that packaging led NPD will be a driver of growth for Sacla’.

I personally wasn't aware that IBM had a consumer packaging expert within its consulting division, until I met Trevor Davis. Trevor gave us some well-argued advice for justifying the business case for packaging change.



Trevor's main point was that the business case for change is no longer just a cost benefit exercise. Benefits extend beyond cost saving and are often defined at least in part by engaging with the consumer via social media. For better or worse...

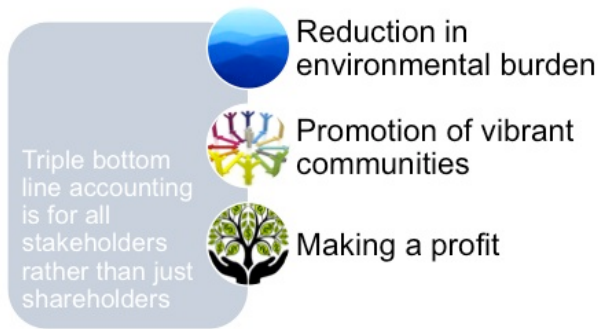
Success is measured in terms of how consumers and trade perceive the change, and how much extra revenue comes in

Breakthrough			
New Consumer or Trade Benefit			
Extension/ Variant / Promotion			
	<=£2m Incremental sales Y3	>£2m Incremental sales Y3	>£30m Incremental sales Y3
Value Engineering / regulatory compliance			
	<=£1m Savings p.a	>£1m Savings p.a	>£5m Savings p.a

At the same time packaging itself is getting smarter, with developments such as near-field communication for milk cartons, and software development as part of the IT system within packaging machinery complicating the calculation as well as increasing the investment cost. The principles of justifying a business case do however sound familiar. An analysis of volume 3 to 5 years out, and net incremental gross profit measures (defined as net sales minus cost of goods) are the key financial measures of benefit.

Packaging expenditure must however be viewed in the context of marketing expenditure, and this is hard to do especially when projects are bigger and more complex. As a rough rule of thumb, revenue to costs should be in the ratio of 30 to 1 and therefore innovations must be “breakthrough” with fewer extensions able to justify a real return.

In the future, the business case will show contributions across the 'triple bottom line'



© 2013 IBM Corporation

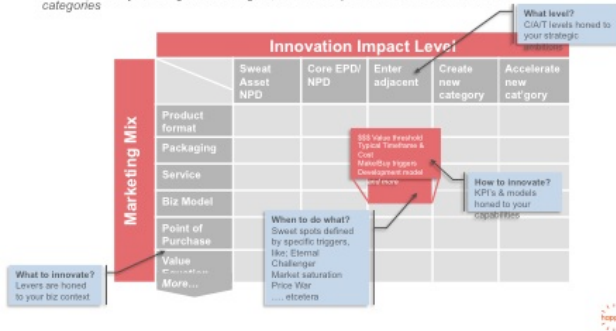
Looking to the future, business cases will have to show contributions across the triple bottom line; a reduction in environmental burden, promotion of vibrant communities and making a profit all being measures of success. Very few brand owners are actually putting hard numbers to this; Nike and Unilever are two exceptions. Many of the principles of the triple bottom line however are being “baked into law”

and it seems we will all need to take account of them when justifying packaging change in the future.

The fast talking Costas Papalkonomou was then amongst us. He is founder of the “Happen” Group (no connection with a consultancy of a similar name, closer to my heart...).

Navigating the innovation matrix

From our history creating & screening 10,000+ concepts across countless FMCG categories

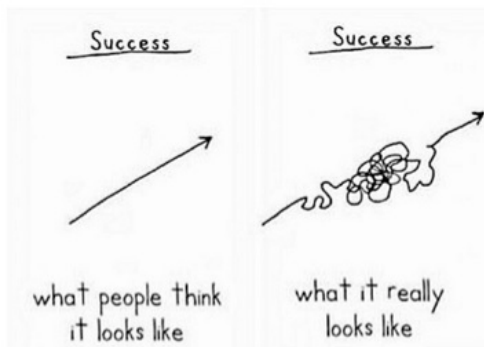


Costas got the audience on side with a free gift- a copy of his book, “The Grumpy Innovator”, then talked to us about how The Happen Group help clients navigate the innovation matrix. This is defined as having axes of the marketing mix and innovation impact level and it highlighted the tension between marketing and supply. Costas cleverly

interwove his credentials into a presentation that covered the classic concept construction principles of features and benefits, made not into concepts but building blocks. Again we had the pragmatism of focus on capital with a description of a more asset lead approach of ideation around what the manufacturing plant can do now and what it could do with minimal Capex.

There was some good thought-provoking material for longer term thinking, in particular how different parts of the business view “S curves”, the “Four factors of foresight” and thinking about how categories will evolve. The advice of talking to cohorts that become generations and considering the interactions of trends, not the trends in themselves, was particularly useful. In summary Costas entreated us to “steal with pride’- a concept not unfamiliar to the practical pragmatic marketer.

After the agency, cometh the client, and John Burton from Premier Foods gave a fascinating insight into the story of Batchelors Deli Box, candidly entitled “Failing our way to success”. Deli Box was launched in the middle of 2012, is now worth almost £6m turnover and has some good metrics, so in John’s view it can therefore be described as a success (fair enough) but he openly talked of the failure in the context of learning.



He made a very good point that success looks simple from the outside but is complex from the inside. The driving force and vision that kept Premier going in the development of Deli Box was the aim to penetrate the biggest category in the market- the Pot Noodle. Deli Box was born out of “failed” projects- John described it as rising from the ashes of failure. Each failure however enabled Premier to

approach the problem from a different angle. The key message was that if you're convinced of the end destination or goal you should keep trying and keep learning.

The driving insight in the market was that Pot Noodles, the dominant brand, was a well-defined proposition and its appeal for some was a turnoff to others. The classic segmentation assumption of Pot Noodles appealing to young Males and Batchelors appealing to Mums (I’ve just noticed the irony of that brand name!) was not actually the case. Batchelors discovered and understood that actually “Mums and Dads” were consuming the majority of Pot Noodles, but mainly at home and behind closed doors. Out of home consumption was though, typically, dominated by young males. Some key insights were “hiding in plain sight”- primarily that Mums needed the reassurance from the packaging that they could be proud (or at least not too ashamed) to be seen eating from it. So the packaging design needed to be sexier. I’m not sure I’d call it sexy, but I get the point. There was also a packaging technology mountain to climb; adding boiling water to a card container and that didn't always work. But a solution that was unique and protectable was found and the product has gone on to be a success in the marketplace.



In parting John made some telling points: The power of consumer insights- listen to what the target market says- what they do and what they don't say, and stay true to the endpoints. And finally, sometimes you have to fall over to learn how to get up!

A unique and inspiring charity initiative conceived by Veteran Bob Barrett, launched nationally in June 2013



conceived by veteran Bob Barrett and was launched nationally in June of this year. Blue Marlin were recruited to manage the packaging development and presentation which clearly demonstrated the value of a deep understanding of

bluemartin



the equity behind the idea. The execution in visual structure and graphics of the final pack carries very strong cues of the military background and pride in service that underpins the brand positioning. There were some great turns of phrase in the presentation and equally some very clever use of language on the pack. One gets the impression that “Forces Sauces” have truly bottled their brand and their two varieties, “Corporal Ketchup and Brigadier Brown”, now instore in Tesco and Waitrose have a great chance to take some share from Heinz in this £200 million market.

The use of military language, uniform, heraldry, and messaging is powerful and showed how important it is to integrate an idea into the pack thoroughly.

The next speaker was Dr Alaster Yoxall, a research fellow at Sheffield Hallam University since 2004. Alaster was a late but very worthy substitute for Shane Monkman the Head of Packaging from Asda who dropped out a few days before the conference. Pity that- a retail perspective at these seminars always adds a great deal, and I suspect many had come to hear what Shane might have had to say.

Alaster’s topic was not at first sight an inspiring one as he was focusing on the accessibility and understanding of packaging usability. However he very effectively brought the subject to life and for my money this was one of the best

After lunch we heard from Kate Gay who was introduced as a seasoned FMCG professional and “champion of challenger brands” who also happens to have a black belt in karate. Kate told us the touching story of the genesis of the “Forces Sauces” brand and as such it represents a terrific combination of cause related marketing and excellent packaging execution. The “Forces Sauces” brand is a charity initiative

conceived by veteran Bob Barrett and was launched nationally in June of this year. Blue Marlin were recruited to manage the packaging development and presentation which clearly demonstrated the value of a deep understanding of the equity behind the idea. The execution in visual structure and graphics of the final pack carries very strong cues of the military background and pride in service that underpins the brand positioning. There were some great turns of phrase in the presentation and equally some very clever use of language on the pack. One gets the impression that “Forces Sauces” have truly bottled their brand and their

presentations of the day. He brought the issues around packaging challenges for the elderly to our attention with a well-placed and well-referenced presentation that evidenced the impact of ageing on people's ability to access products. Ageing brings loss of strength, dexterity and cognition, and although there have been well-meaning campaigns, (for example, "Just say no to impossible packaging" 10 years ago), not much has happened in reality. Alaster made an excellent point in that we should not just be trying to remove frustration from packaging, it's more serious than that as it affects people's eating and nutrition. Examples of elderly folk surviving on crisps because the packaging is easy to open will, I suspect, stay with us as we consider packaging innovation in the future. The consequences of experiencing difficulty with packaging go further beyond frustration and involve emotional effects of having to ask people to help. Women are on average half as strong as men, and as both women and men lose their strength and dexterity, (by 60-80 it reduces by a third) some resort to the use of tools to open everyday packaging which itself presents its own dangers. As an academic researcher Alaster was able to point out the value of in-home research against interviewing and he has collected plenty of video data to demonstrate such everyday problems as the wobbliness of pouring milk, and eye tracking was used to show how difficult it is for older people to search for back of pack information. It's clear that this work is producing some progress but not enough. There is a new British Standard and some easy opening packaging is starting to appear, but following on from the previous presentation in particular I believe it made us all think about the human impact of our marketing decisions.

The last speaker, Heidi Maxwell of Touch Design described herself as the "Nigella of Packaging", and who would dispute that title? Her time was spent effectively convincing us to generate emotional engagement into the brand from a focus on structural packaging. Whilst it was again, an agency-based



presentation banging the drum for more attention to packaging within the overall brand experience, it gave a valuable additional perspective. Heidi gave some good light-hearted insights into the world of sensorial packaging with provocations like "does your brand look good naked", and using examples that included the practical and the sensorial, Heidi was at pains to point out that you don't build a

relationship with a box but you might with a more creative shape. The Touch Design process is a balance between insight, innovation, and design that should lead to an available and differentiated shape that works. Heidi told us that we

may be assaulted by so many messages that we cannot cope and so sight is the most important sense. Furthermore we develop an emotional bond with sensorial products. Extending the point we were left with the advice “never to underestimate the power of a positive reclose”; the sound of the pack shutting- or the power of ritual; something that's intrinsic to the brand experience. She perhaps saved her best line till last-“Flowrap has no foreplay”.

The day finished with a packaging clinic by Affinnova, an added bonus to a day of practical advice and thought-provoking presentations. I guess I was left with the thought that packaging is not an isolated topic in itself, split into graphics and engineering. Packaging as a discipline covers a multitude of aspects within a holistic approach. It is not just about the creative art of design but the science of engineering mixed with the ability to draw real insights and understanding from consumer observations and research. Not to mention the hard-nosed accountancy of justifying significant capital expenditure investment behind what should be seen more as an asset than an expense.

Tim Nicol
tim@mihcentre.co.uk
30th October 2013.