

Packaging Value Chain

TOPIC 9:

RETAILERS: BUILDING A COMPETITIVE ADVANTAGE IN THE PACKAGING VALUE CHAIN

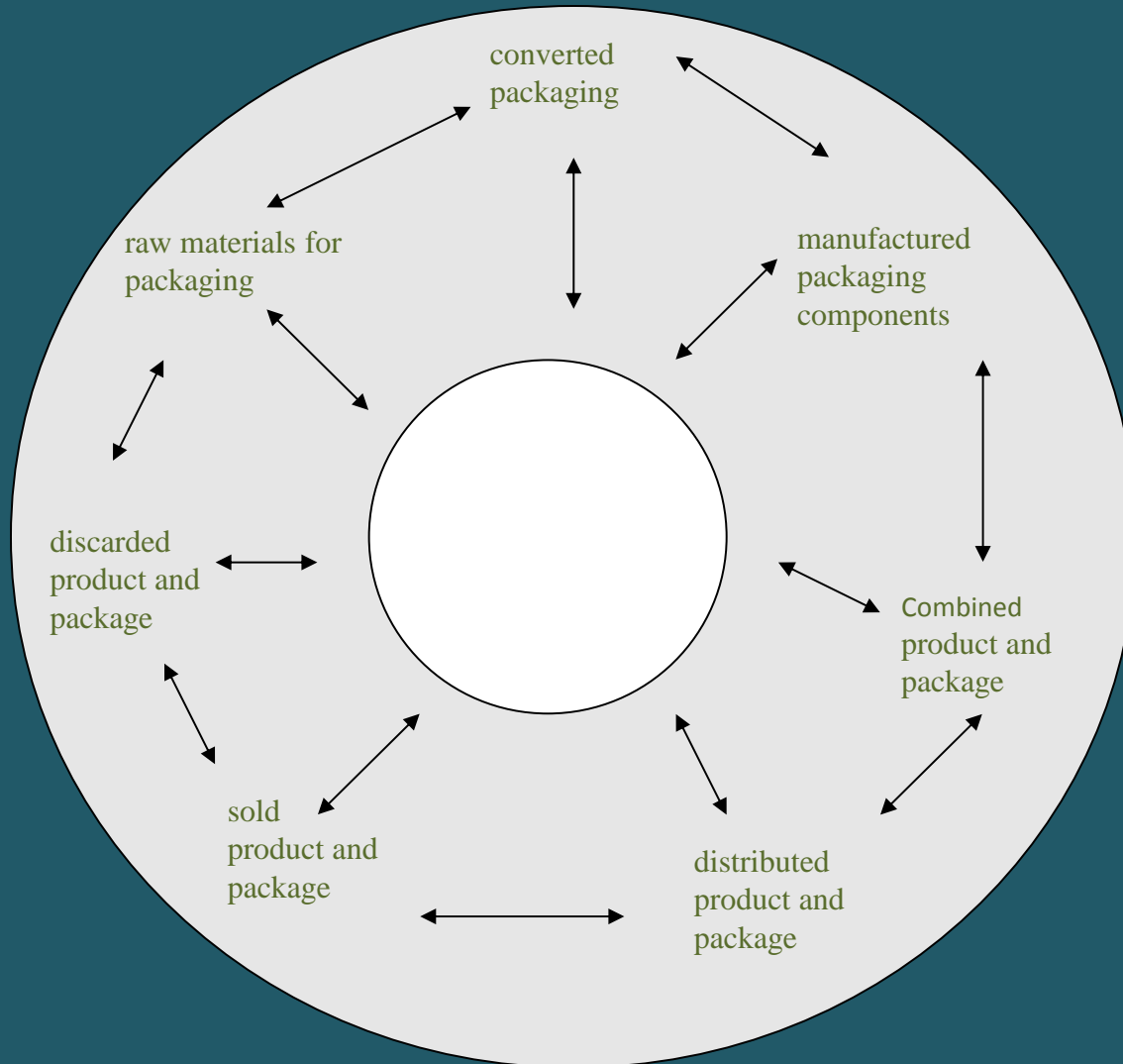
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Packaging Value Chain



Overview

- Changing Role of Retailers with the value chain
 - Supply chain requirements
 - Value chain requirements
- Value chain process is competitive retail advantage
- Value chain extends to categories



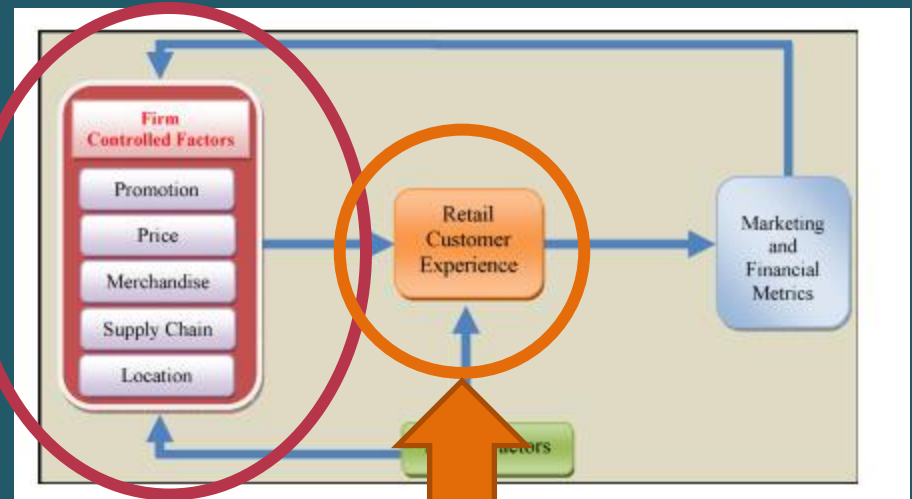
Changing role of Retailers

- Role of retail
 - Provide and experience
 - Social
 - Provide solutions
 - Pre-screen
 - Gatekeeper
 - Present pre-selected product choices to consumer
 - Advise



Supply and Value Chains

Logistics and the
Supply Chain



Value to Consumer
and the Value Chain



Supply Chain tangibles packaging requirements by retailers

Supply Chain Tangibles:

- Package information (net weight and etc)
- Package integrity
- Package availability
 - Easily stocked and maintained
 - Location
- Facilitating EDLP strategies



Value Chain packaging requirements by retailers

- To provide competitive advantage for retailers
 - Packaging must add value to the retailer by causing consumers to shop at their store
- Value is translated into increased profit via:
 - Better connection to consumers
 - By meeting consumer needs better than another retailer
- Example of how packaging can facilitate this is most simply seen in sizes for different store concepts:
 - C-store
 - Mass store
 - Medium size store
 - Web based



Value Chain packaging requirements by retailers cont

- Packaging Value Chain provides Switching behavior
 - Consumer select one store/venue vs another
- Knowing switching drivers and connecting this to package innovation
- In optimally functioning value chains, consumers make a retail choice first then product/package
 - Trader Joes
 - Migros
 - Ikea
 - McDonalds



Value chain process is the competitive advantage

- Value chain concepts of:
 - Shared value
 - Tacit knowledge
 - Inspiring to create a competitive advantage (beyond sizes) for retailers via packaging
- Value chain alignment is a long term competitive advantage so it is the process itself that flexes its muscles to deliver value to consumer
- Determining what has value to retailers is important All retailers want to meet consumer needs



Value chain process is the competitive advantage cont

- Consider the differences between what consumers want from:
 - Migros
 - AllaboutDance (web)
 - Lowes
 - Target
 - Ikea
- And the role of packaging



Using PVC to create sustainable competitive advantage for Retailer

- Intangibles & Experiential
 - PVC needs to enable packaging that appeals to consumer needs
 - Food
 - Packaging by meals (breakfast, lunch, dinner)
 - Packaging by occasion
 - Perfect peach
 - Sports
 - By sport-climbing



Tesco-virtual store

- Extends value chain by bringing products where and when consumers want them



Tesco Homeplus Virtual Store, South Korea

When launching the world's first virtual store in South Korea, the project went viral. The pilot enabled commuters to buy from a virtual shopping wall at a subway station, set like grocery shelves, with products delivered to home later that day. To date, information on Tesco's virtual store has been viewed and shared by over 27 million people across the world - with over 2 million views on YouTube and 25 million Bloggers.

"Outstanding", was the verdict of the judging panel, who said that while the technology had been available that this was the first time that it had been used so extensively or effectively. The judges also noted that Tesco has not allowed this to be a one-off but has gone on to deliver further evolutions of the programme, most recently with the virtual store at London Gatwick airport."Tesco is clearly a leader in the development of this technology and has shown how you can create new space and new ways of reaching new customers."

C&A Brazil

- Extends value chain to more consumers



C&A Brazil - C&A Fashion Like

C&A launched a clothes rack line called "Fashion Like" in Brazil, networked to show how many Likes each item received on Facebook. C&A began the campaign by posting photos on its Facebook page and letting social media friends determine its popularity. The Likes were displayed on an LED screen built into the clothes hangers in-store to show real time votes. Showcased within a showroom so each hanger co-ordinated with the right outfit, a sales associate provided outfits in the correct size for shoppers. The judges cited the fact that C&A

had responded brilliantly to the threat of new international brands in the Brazilian market and has leveraged the huge popularity of social media and peer recommendations. "Not only was the approach hugely innovative but there was also a jump in sales," the judges noted of a campaign that delivered both in terms of exposure and the bottom line. "This demonstrated a new way to interact with customers and monitor their preferences."

Zew Store

- Extends value chain into post consumer and usage realm.



Energy Resources - Zew Store

Energy Resources Holding, an Italian group working in the area of sustainable development and renewable energy sources, has opened its first Zew Store Zero Emission Way Store in Ancona, created as a single location offering everything to do with sustainable development. This includes information on how to produce clean energy for homes and businesses or travel, and products in line with this philosophy. The store hosts meetings and interactive workshops with schools and cultural associations.

Marks and Spencer & Woolworths, SA

- Ethos drives companies and value chain



Marks & Spencer and Woolworths South Africa

For the first time at the World Retail Awards, the judges found it impossible to split these two outstanding retailers. This year Marks & Spencer celebrates the fifth anniversary of Plan A, its ground breaking eco and ethical plan, which has become embedded in the company's ethos, and the judges recognised the company for its gold standard approach and for setting the bar for retailers around the globe. Woolworths South Africa by contrast has embarked on a strategy which is unique to the demands of retailing in Africa but which also has global resonance in the way it has been tailored to its market. Woolworths has consolidated its efforts to support both people and planet under one programme, initiated in 2007 and called the 'Good Business Journey'. Based on its success, Woolworths has reviewed the programme and has set ambitious new targets through to 2015. The judges felt that both retailers set the standards and the values by which others could measure themselves.

Color Store

- Value chain of paint expanded to “enable imaging” product in home



Colour Store by Asian Paints, New Delhi

Asian Paints wanted to encourage cautious customers to be more confident with colour in their home décor. Without selling any paint from its store, Asian Paints created an inspirational and educational colour experience that offers highly interactive and personalised colour solutions. The experience allows the customers to interact with and experience what colour can do for their homes, with a significant 35% increase in adjacent dealer network stores. Design: FITCH Design Singapore

The Value Chain process extends to category packaging

- What is needed from the PVC by retail varies as a function of category
 - For example Packaging process needs to exude **confidence**
 - Ground beef
 - With outbreaks on the rise, building retailer confidence in food packaging is paramount to sales
 - Packaging role is active packaging, packaging that enables processes of staling microbial growth
 - Packaging suppliers, distributors, and recycler/disposal all need to work toward this goal
 - » Food safety outbreaks happen because of failures in the value chain



The Value Chain process extends to category packaging

- Climbing harness
 - Packaging's role is to demonstrate the untainted nature of the harness
- OTC and prescription medicine
 - Packaging's role of facilitating sterilization, validation accurate dispensing
 - Packaging recyclers/reuse, suppliers, converters are in alignment



The Value Chain process extends to category packaging cont

- Retailers also need agility as a competitive advantage to enable:
 - Fads to be provided for
 - Locality (rural vs urban)
 - Distributors to flex as
 - Manufacturers to tight (food safety outbreak)
 - Packaging suppliers agility



The Value Chain process extends to category packaging cont

- Packaging suppliers stretch value chain into retail and recycling
 - Provide connection for retailers to enable recycling within the soda category (Migros)
- Packaging distributors
 - A category
 - Packaging design to meet this distributor need is a key to retail success
 - Eg., Asian section of grocery store
 - Eg., Large sporting goods stores with clothing organized by brand not by type of athlete



Summary

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