



Retail Packaging 2016 and Beyond

● The dynamics of the retail arena are having significant consequences for packaging. Strong cost pressure leads to innovative packaging solutions to reduce a product's total lifecycle cost. Retailers are forced to think in new ways about the role of packaging and how it can be used to achieve new things, increasing its performance and blurring the lines between packaging, store furnishing, and marketing communication. And the environmental effect of packaging material is increasingly being considered, with fiber-based materials standing out because of their recyclability and renewability.

● As the significance and role of packaging grow, retailers will have to give it more attention. The ones that can best understand and execute on the full potential of packaging solutions will be best placed to win in the marketplace of today and tomorrow

● The purpose of retail packaging is expanding. From the original purposes of containment and

protection, retailers and brand owners began to see the significant potential for packaging as a platform for communicating with consumers. Today, it is used to get attention, communicate brand and product characteristics, highlight promotions and more. It is estimated that as much as 70 percent of all purchase decisions at mass merchandisers are made at the point of sale. As the fight for limited shelf space intensifies, using packaging to its full potential will become even more important.

In general, one of the most important aspects for a buyer of packaging is its expected effect on sales. After all, if packaging can lift sales by just one percent, it has a much larger impact on the bottom line than any cost optimization can deliver. Second, a retailer tends to consider indirect costs of packaging handling. For example, shelf-ready packaging can reduce replenishment costs with 1 to 2 percentage points of sales—a significant number considering most retailers earn low

single-digit margins. Online is a trend in both grocery and non-grocery retail. For grocery, most European countries still have an online share of at most a few percent. However, in the United Kingdom, the European leader in online grocery retail, it is estimated that 20 percent of total grocery sales will take place online in 10 years' time. Amazon, the world's largest online retailer, has recently taken its first steps into grocery retail with Amazon Fresh, offering free same-day delivery in selected regions in the United States.

Stora Enso helped a leading Finnish retailer reduce waste and increase efficiency along the entire fruit and vegetable supply chain through the development and deployment of HeviStrong packaging solutions.

Retailers within grocery have five key themes to consider in retail packaging in 2016 and beyond

- The success of discount retailers
- Increased private-label penetration
- Intelligence in packaging solutions
- The shift of retail to online channels
- A greater focus on sustainability

Discount grocery retail is a major success across most of Europe. As a result of their continuous focus on cost, discounters are some of the leading adopters of innovative packaging. Examples include shelf-ready packaging, pallet presentation, bundled packaging, and use of lighter materials. In the future, a key challenge for discounters will be to make these cost-efficient solutions more attractive in the eyes of consumers.

Private-label penetration is increasing across Europe, but currently has large variations between countries. Originally used as a lever in negotiations, private label is now adding functions to the assortment and supporting the retail brand. Overall, the difference between private-label and brand packaging is getting smaller. Retailers are also more involved in developing and sourcing packaging. In response to these developments, brand owners are accelerating their differentiation efforts, for example with complex, eye-catching corrugated board constructions at the point of sale.

The packaging converters must deliver value in several ways:

- Proactively suggesting innovative packaging solutions to build brand value, support sales, and optimize performance to reduce total cost
- Supporting customers to achieve their profitability and sustainability targets by enabling less weight, less waste, less unused space, and less impact on the environment
- Helping customers make their supply chains more sustainable by using renewable raw materials and Stora Enso's recycling organizations to take care of their recycling needs.

Stora Enso Packaging Solution



Waste-related cost



Logistics efficiency