

WHITE PAPER

Packaging Solutions Amid Today's Economic Challenges

'Good things come in good packages,' winning and keeping consumers

That saying from the '90s is back: "It's the economy, stupid!" Everyone — particularly everyone selling in the consumer channels — understands the challenges of today's economy: severely constricted household budgets, tightly stretched corporate budgets and high price volatility for the production of food and household items. Gallup reported that nearly 50 percent of America is reacting to the effects of higher food prices alone. "Fear motivates...new shopping practices," said a new *Unilever Trip Management Report*. "An overwhelming 93 percent worry about rising food prices, and 79 percent about rising personal-care product prices. Of great importance to retailers, more than seven households in 10 are ready to reduce spending on household necessities (food and beverage, personal and home care items) if economic conditions worsen." All this anxiety among consumers has translated into unprecedented marketing and production challenges. At the same time, these challenges have elevated packaging strategies to the forefront and have introduced a new saying into the production-marketing dialog — "Good things come in good packages."

Today's consumer refuses to "lower the bar" in terms of quality, despite the fact that the economy is anything but flush. "Consumers are clearly feeling the effects of a perfect storm of challenging economic events..." noted Lisa Klauser, vice president of consumer and customer solutions at Unilever U.S. Nonetheless, Klauser added, "the reality is that consumers still need to feed their families during these tough times. The challenge for them is how to get it done in the most economical way possible without sacrificing quality."

Widely rejecting the tradeoff of slightly lower quality items at the same price point, consumers are looking to manufacturers and retailers to fashion an economic miracle — at least with regard to household purchases. That includes not only what's in the package but also the package itself. As the Unilever study observed, consumers would "rather see some creativity from manufacturers and retailers — in product packaging and sales approaches — to help them sustain their lifestyles. Their preferences include: Offer them larger pack sizes with a lower price per unit, introduce smaller pack sizes at lower prices...modestly reduce package size but keep the same price." Not surprisingly, manufacturers and retailers are especially relying on packaging professionals to establish, underpin or redesign brands into winners that can withstand the fiercest economic winds. Yes, good things do come in small packages. Larger packages, too. And packages that deliver convenience and bespeak trust.

Behind Brand Success

If you have a lemon, make lemonade — right? That’s pretty simple and pretty smart. What if you have that lemonade to sell? If you’re Kraft Foods, Inc., you rely on the well-established Country Time brand to keep you as the leading choice among lemonade drinkers. Interestingly enough, though, other manufacturers and retailers are moving lemonade, as well as a variety of food and personal-care products, off the shelves as store brands. “There is a seismic shift underway in store brand names,” according to *brandstrategyinsider.com*. The most recently available data said one out of every five products sold in a U.S. store was store-branded. In one case, a store brand is literally leading the pack: Ol’ Roy, Wal-Mart’s dog food, is the world’s top-selling canine cuisine much to the chagrin of Purina. Then there’s the beverage coup at your local 7-Eleven, which has long had a Simpsonsque cachet in the minds of customers. The convenience store executives played on the appeal of import beer quality with the introduction of Santiago Cerveza De Oro. Likewise, reported Datamonitor, Walgreen’s Apothecary sub-brand...has taken the idea of the idea of expertise and applied it successfully to the personal-care sector. Store brands, insisted *brandstrategyinsider.com*, “are much more powerful than a decade ago, when they were rarely advertised and often packaged anonymously.”

Packaging has become anything but anonymous. It is an important element of the overall production and marketing success, even to the point of winning consumer segments today. Proctor & Gamble’s Charmin brand created a Basic sub-brand to appeal to the private-label and the value-retail shoppers alike, reported Datamonitor. Larger pack sizes can marry with attractive price points, as can smaller packages with carefully set price points. Datamonitor added: “Such value lines should be designed and marketed to appeal to the heaviest consumers of private label (lower-income households and families, particularly new and larger ones).”

Addressing the private-labeling juggernaut and other “megatrends” in packaging, *Packaging Digest*’s John Kalkowski recently pointed to a Citigroup survey that showed private-labeling sales had increased 8.3 percent in 2008. But Kalkowski cautioned that private-label consumers won’t settle for less quality. “[Lynn] Dornblaser [an expert in trend analysis at Mintel International] reports a real change in consumer sentiments,” he said. “They want quality at value prices.”

Designed Into Success

“And better design?” asked *brandingstrategy insider.com*. “No doubt about it.” One can justifiably argue that packaging provides the critical leverage for either national-brand or store-brand success. Just as the headline acts as the 1-second sales of the newspaper or magazine article, attractive as well as functional packaging creates the initial and the lasting connection between the product and the consumer.

Weatherchem has always believed, as it pointed out in an earlier white paper, that “despite the innovations offered by companies during the last quarter century or more, it’s really the consumers, not the inventors, who are driving and defining this segment. They often vote with their wallets and when they switch brands it’s a sure-fire signal to brand managers that packaging changes need to occur. For a package to be considered ‘convenient’ today, it must offer more than simply being easy-to-use. It has to trumpet that quality. It must appear attractive to consumers by communicating

brand identity, product quality and package content. It must exclaim ‘convenient’ from a distance via graphics, bottle shape and package structure.”

Most important, the package must be a dominant influence as each consumer experiences The Two Moments of Truth. The first moment takes place at the store, where the consumer takes his or her choice off the shelf. “A perfect example is Kraft’s Grate-It-Fresh cheese dispenser,” Weatherchem’s earlier white paper noted. “Studies indicate anywhere from 60 to 80 percent of purchasing decisions are made at the point of purchase. In these instances, the package itself is assuming the role of silent spokesperson for the product.” The second moment takes place at home, where the consumer asks, “Did this brand deliver? Will I buy it again?”

Consumer expectation does not end in the kitchen, bathroom or bedroom, either. Sustainability has taken the consumer from an early, benign acknowledgement of the “Think Green” movement to his or her measurable participation in eco-friendly purchasing. What may come as a genuine surprise to many observers of micro-market behavior is that “buying green” is largely insulated from the pressures of recession. “Four out of five people say they are still buying green products and services today — which sometimes cost more — even in the midst of a U.S. recession,” *Packaging Digest* reported. “A new study commissioned by Green Seal [a nonprofit product-certification organization] and EnviroMedia Social Marketing and conducted by Opinion Research Corporation reveals peoples’ opinions and behaviors about products that claim to be environmentally friendly. Half of the 1,000 people surveyed say they are buying just as many green products now as before the economic downturn, while 19 percent say they are buying more green products. Fourteen percent say they are buying fewer environmentally green products.”

Dr. Arthur Weissman, Green Seal’s president and CEO, said current research indicates that buying green products is second only to recycling. “This increased consumer demand,” he added, “sends a signal to manufacturers to produce products that are truly green.” *Packaging Digest’s* Kalkowski insisted that environmentalism trumps economics in today’s world, adding: “With a weakening economy, many might think that sustainability would be cast aside as companies pare costs. Consumers and packagers now understand that packaging resources aren’t limitless. However, as Lynn Dornblaser...says, the sustainability practices most likely to survive the downturn are those that will have a financial benefit for the end users, such as downgauging and reshaping packages.”

For a packaging manufacturer such as Weatherchem, the commitment to sustainability has been a long, continuous one. It has energetically responded to the U.S. Environmental Protection Agency’s estimation that packaging materials make up as much as one-third of the non-industrial waste stream, and that consumers prefer to deal with companies that inflict minimal harm on the environment. In one example, Weatherchem answered the challenge for significant change by designing its new LiquiFlapper® closure to be 10 percent lighter than similar competitive products. Additionally, all new products are designed to be lighter than the previous generation caps. Other recent developments within Weatherchem’s continuous sustainability improvement program include:

- Replacing hydraulic presses with electronic presses, thereby reducing energy consumption by 30 percent
- Installing a renewable energy chiller that cools presses by using northeast Ohio weather instead of electricity

- Reducing the overall scrap rate by 3 percent
- Recycling throughout the plant and the office — from paper and bottles to old computers and retired plant equipment

Packaging Relationships

Another business aphorism is making the rounds again in the 2009 economy: “Economic wounds must be healed by the action of the cells of the economic body — the producers and consumers themselves.” This current recession will eventually subside, but good business practices will remain the gold standard among the successful. Manufacturers and retailers must be equally steadfast in sustaining good relationships with packagers. And packagers must remember that the manufacturer or the retailer’s comfort zone is increased in knowing that:

- * The packager understands the overall economic calculus of the current buying habits of the industry segment.
- * The packager is capable of contributing to the goal of the final sale by acting both as marketing counsel and as eager vendor.
- * The packager has the right pedigree for partnership: experience, the size and capacity to handle the project, financial stability and the commitment to long-term success — in challenging economic times as well as good ones.

One current business-press headline says it all: “Consumers look for different packaging in weak economy.” When the downturn ends, don’t expect to read: “Consumers look for weak packaging in a different economy.” No matter what the Dow Jones registers, good things always come in good packages.



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