SEEING THE BIGGER PICTURE

DESIGNING OUT LOSS THROUGH GOOD PACKAGING DESIGN

By Colin Peacock
The vision is that when the principles behind these questions are adopted and these standards are proactively applied to future packaging, poor packaging then becomes less of a driver of shrink. Further, by seeking to focus on future designs, introducing these anti-shrink principles at the inception of new packaging can often be zero cost.

Further, by seeking to focus on future designs, introducing these anti-shrink principles at the inception of new packaging can often be zero cost. There are three overarching principles underpinning the checklist framework.

**Principle 1: Make Products Easy to Identify**

This first principle aims to prevent the bad packaging that can be the cause of inventory inaccuracies, loss, and lower productivity. Examples include packaging where the printed barcodes cannot be scanned, requiring the store to find and then scan to a generic category code; packaging that looks so similar that mistakes in counting and replenishment are easy to make; packaging where the wrong barcodes can be presented for scanning, such as the multi-pack yogurt example; packaging where the sell-by dates are hard or impossible to read, meaning the store does not take the item off the shelf at the right time or creates unnecessary waste due to the products not being rotated correctly; or, finally, packaging that does not clearly communicate instructions on the correct handling procedures, leading to damage and loss.

To prevent these problems, designers and brand owners should challenge each of their packaging design recommendations against the following checklist:

- Are the barcodes on the primary, secondary, and tertiary packaging clear and unobscured?
- Does the product information print well on the chosen case and label materials?
- Are the barcodes, as printed by the manufacturer, of sufficient quality to be read by retailers’ technologies?
- In a not always well-lit retail warehouse, store back room, or retail shelf, could a busy and rushed retail employee differentiate similar but different shippers, cases, or products within five seconds?
- Have colour coding and images been considered to better differentiate similar but different shippers, cases, or products?

- Are date codes easily identifiable and easy to read on shippers, cases, and products?
- For promotional and multi-packs items, has the risk of the retail store scanning the wrong barcode (for example, scanning one item or the single pack versus the multi-pack) been removed?
- Are the handling instructions (fragile, keep at certain temperature, and so forth) and the pallet-loading pattern clearly printed on the outer packaging?

**Principle 2: Reduce the Risk of Damage**

Protecting the product from damage is one of the most important requisites of packaging. To ensure that damages are not incurred, packaging engineers will put the intended packaging through rigorous ship and product-handling testing procedures. However, often these tests cannot exactly match the actual stresses and strains of the retail supply chain, stores, and curious consumers.

For example, while products shipped to stores are designed to be placed in protective shipper cases, some retailers will choose to ship just single consumer units in plastic totes to stores to reduce inventory levels, damages in the back room, and loss. However, when placed in plastic totes, the packaging is placed under more pressure than traditional ship tests, especially if the packaging is put in the same totes as heavier items.

Another example would be products shipped in cases that will then need to be broken down in the distribution centres into smaller cases. For example, a case containing twenty-four consumer units of shampoo has inside it four smaller ship-to-store cases of six. However, if in the process of splitting the outer cases into four ship-to-store cases, the employee needs to use a knife, an incorrect case design and not enough free space at the top can lead to a high level of damages as the knife meets the consumer product.

Finally, while packaging designers do their very best to clearly communicate...
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the qualities and content of the product, sometimes this is not enough. And in the presence of doubt, consumers will very often simply open the packaging to check that what they are buying is what they want. Once products are opened, these same shoppers will often buy the unopened pack next to it, leaving the package they opened vulnerable to the parts being stolen or simply not selling and having to be marked down or returned.

While these are just a few examples, it illustrates the principle that designers and brand owners need to fully understand their product’s journey once it is inside their customer’s supply chain and all the way through to the shelf. Below are the checklist questions that designers and brand owners should use to challenge their design ideas:

- Will the packaging withstand the intended and actual supply-chain journey from receipt at the customer’s distribution centre all the way to the shelf and back to the vendor (if returns are potentially a significant occurrence)?
- Is the product likely to be put inside a tote or stacked in the warehouse or store, and if so, will it remain undamaged if shipped in a tote or stacked?
- Are the instructions clear on how staff should open the outer packaging?
- Can the outer packs be opened easily without the use of sharp objects, which can damage some forms of packaging?
- Has the product packaging been designed to withstand any damages when placed on the customer’s fixtures and fittings, especially hang pegs that depend on a close fit with the packaging?
- Has the risk of the shopper opening the package—to examine, test, or steal the contents—been minimised through the pack design? For example, have clear windows or the use of hard-to-rip-open plastic packaging been considered for highly vulnerable items, such as high-theft products, items containing multiple parts, or products that have special fittings and adapters, such as electric items?

**Principle 3: Reduce the Risk of Theft and Make Products Easy to Protect**

Designers and brand owners invest considerable time and effort to create the most beautiful packs that shoppers, in focus groups and quantitative studies, claim to love. For the marketing team, this is their number one priority, and large budgets are allocated to test that the descriptors, the imagery, and the colours are optimised.

However, for store managers with products they know are attractive to thieves, their number one priority will be to ensure that the product is protected from theft. Examples of high-theft categories include fresh meat, spirits, health and beauty products, confectionary, and electrical products.

If product protection measures are not included in the product before it arrives in the store, the store managers will look to apply protection measures themselves. This adds complexity and extra time to the replenishment process leading to the risk of empty shelves. Product protection measures a store manager might utilise include a soft EAS label, an EAS hard tag, an ink tag, a safer plastic case box, or an EAS-enabled device that wraps around the product. These measures not only make the pack less attractive to the consumer, but also very often can cover key elements of the design, such as the pack shot or the user imagery.

Finally, if the store manager finds these measures too difficult or too lengthy a process to manually apply, and they believe they remain vulnerable to theft, they can take more drastic measures and place the product inside glass displays and cabinets or behind the customer service desk, inconveniencing shoppers and reducing sales.

To help prevent these problems, designers and brand owners should consider the following questions:

- Do small, high-value items have sufficient packaging to reduce the risk of being too easily concealed by thieves? If not, could bigger and bulkier packaging that reduces ease of concealment be considered?
- For products that will have an EAS hard tag attached, is the packaging sufficiently robust to withstand efforts to rip the EAS hard tag off?
- For products that will have an EAS hard tag attached, is it clear to staff where to place such a device? For example, is there a pre-drilled hole to facilitate the application of an EAS hard tag?
- If a measure such as an EAS hard tag, an ink tag, a keeper case, or a wrapping EAS device (such as a spider wrap) are to be used, can its location be pre-identified to reduce the risk of product information being obscured and to improve the way it is displayed?
- If an EAS soft tag is to be applied externally to a product, will there be communication on the tag to amplify the risk to the offender of being detected, and will there be a place on the packaging near the barcode where an EAS tag can be placed without obscuring product information?
- If an EAS soft tag is to be applied inside a product and deactivated at the point of barcode scanning, will there be a notice on the artwork or on a sticker that can communicate and amplify the risk to the offender of being detected, and will it be located close enough to the barcode to ensure effective and consistent deactivation?

**Leveraging Packaging Checklists with Real World Experience**

While this set of twenty questions will be helpful in creating a higher level of awareness of the packaging measures that manufacturers can take to help prevent shrink, they are neither exhaustive nor indeed likely to be a perfect fit for any one category or organisation.

To move from a set of generic questions to a more granular set of packaging specifications, some retailers have put together a multi-functional team representing all internal functions (from the supply chain to stores to the sustainability group) and external providers (transportation companies, warehouse operations, packaging vendors, and packaging experts from branded goods manufacturers) to create their own set of packaging specifications.
Using brainstorming techniques, this type of group can create and agree on a final set of approved packaging specifications. These can then be made available to buyers, who in turn can share them with suppliers, such as branded goods and private label manufacturers, who then share them internally with their creative design agencies. Thus, when new products are next submitted to a buyer, the buyer will have an expectation that the packaging complies with the previously communicated specifications.

Target and Costco are two examples of retailers that have created their own set of packaging specifications. In the case of Target, the asset protection team focused their efforts on packaging specifications for the complex and dynamic cosmetics category. This focus and the subsequent checklist led to improved packaging. For example, on mascara from Cover Girl, new blister pack designs proved easier for the shopper to see what they were buying and faster for store team members to place on the right shelf, leading to more sales, fewer scanning errors at the point of sale, and more accurate inventory.

Costco adopted an approach that looked at packaging specifications for stores from many aspects, including pallet loading, the use of certain plastics, and packaging criteria they wanted to help protect their products against theft. These specifications, available on the Internet to download, are shared with their vendors, and compliance with these standards is expected.

These are but two examples of retailers that have adopted a proactive approach to developing packaging specifications where shrink features significantly in the company guidelines. These cases inform us that when organisations create clear packaging specifications, encourage close collaboration between buyers and vendors, and have patience (some packaging changes can take two to three years to get to shelf), it can be possible to design shrink out of the packaging. This being the case, how could you apply this thinking to your business?

Your Action Plan to Design Shrink Out of Your Packaging

As a loss prevention leader, you may at times feel overwhelmed at the degree of difficulty you and your team would have to go through to positively influence other parts of the business to support packaging changes, such as the inclusion of EAS tags, features that can reduce damage, or clearer descriptors that could help reduce counting mistakes. Where do you get started? Here are three possible ideas to consider.

Integrate “Shrink Thinking” into Your Existing Packaging Specifications.

If your organisation has already defined a work process and a set of packaging specifications led by the buyers but with goals such as sustainability or shelf-ready packaging in mind rather than shrink, integrating shrink specifications into these existing specifications could be the best way to get started fast. If this is the case for your organisation, kick off your project by finding the name of your organisation’s version owner of the packaging specifications. Once you have found them, engage them in a discussion on how shrink specifications can be added and how any of the existing specifications that could promote shrink can be adjusted to ensure that shrink does not increase. For example, moving away from plastic blister-pack packaging to recyclable cardboard materials could help the retailer improve sustainability; however, it could also lead to an increase in damages and theft. In this example, request that the specification be changed to reflect a requirement for high-theft items to move to more sustainable packaging that is also hard to rip open, difficult to damage, and when any product protection devices are added, they are hard to defeat.

Establish Your Own Set of Anti-shrink Packaging Specifications.

Following this strategy, where the loss prevention function would take the lead in establishing a set of specifications, will require more time and effort and consultation with a broader set of stakeholders to ensure that the organisation is fully aligned. The starting point will be to establish the business case for change. This will need to quantify the current cost to the business of poor packaging and the potential benefits of improved packaging. In parallel, you will need to define the work process and activity system that ensures packaging specifications are communicated to the vendor community and reinforced in discussions on new product introductions. Given that 90 per cent of all communications with vendors go through the buying function, their involvement and support will be critical. Buyers will need to be motivated and see and feel the benefits of adopting the packaging standards. Only when the organisation and the buying function are fully convinced of the benefits of better packaging will change happen and improved packaging reach the shelves.

Focus on Better Anti-shrink Packaging One Category at a Time.

This is most likely the easiest way to get started if there are no company-wide packaging specifications. For the US retail company Target, their call to action was the cosmetics category. In the case of a UK home improvement retailer, it was tile cutters. The approach to getting started on just one category is the same as if it were for the whole organisation. However, at a category level, there will be fewer stakeholders such as buyers and vendors to engage, and the potential benefits may be easier to quantify and be more visible. For example, in the case of cosmetics, it was very easy to see that the problem of poor differentiation between similar packs was leading to a loss of productivity and that the benefits of getting it right would be fewer out of stocks, more accurate inventory, and higher sales. For your organisation, start by finding the category where you believe packaging is a significant driver of loss and where the pain and the gain can be most clearly demonstrated.

Time to Get Started

As with all the articles in the ECR series, the aim has not been to prescribe but to provoke thought and discussion within your loss prevention team. Hopefully some of what we have shared in this article resonates, and the ECR group would be very happy to hear how some of you have taken some of the ideas here and put them into action. Perhaps one fun way to get started could be to organise a team competition to find the product in your store that could win the award for being the most frustrating. This anti-shrink packaging report is available to download for free from the ECR Community’s Shrinkage and On-shelf Availability website at ecr-shrink-group.com.

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