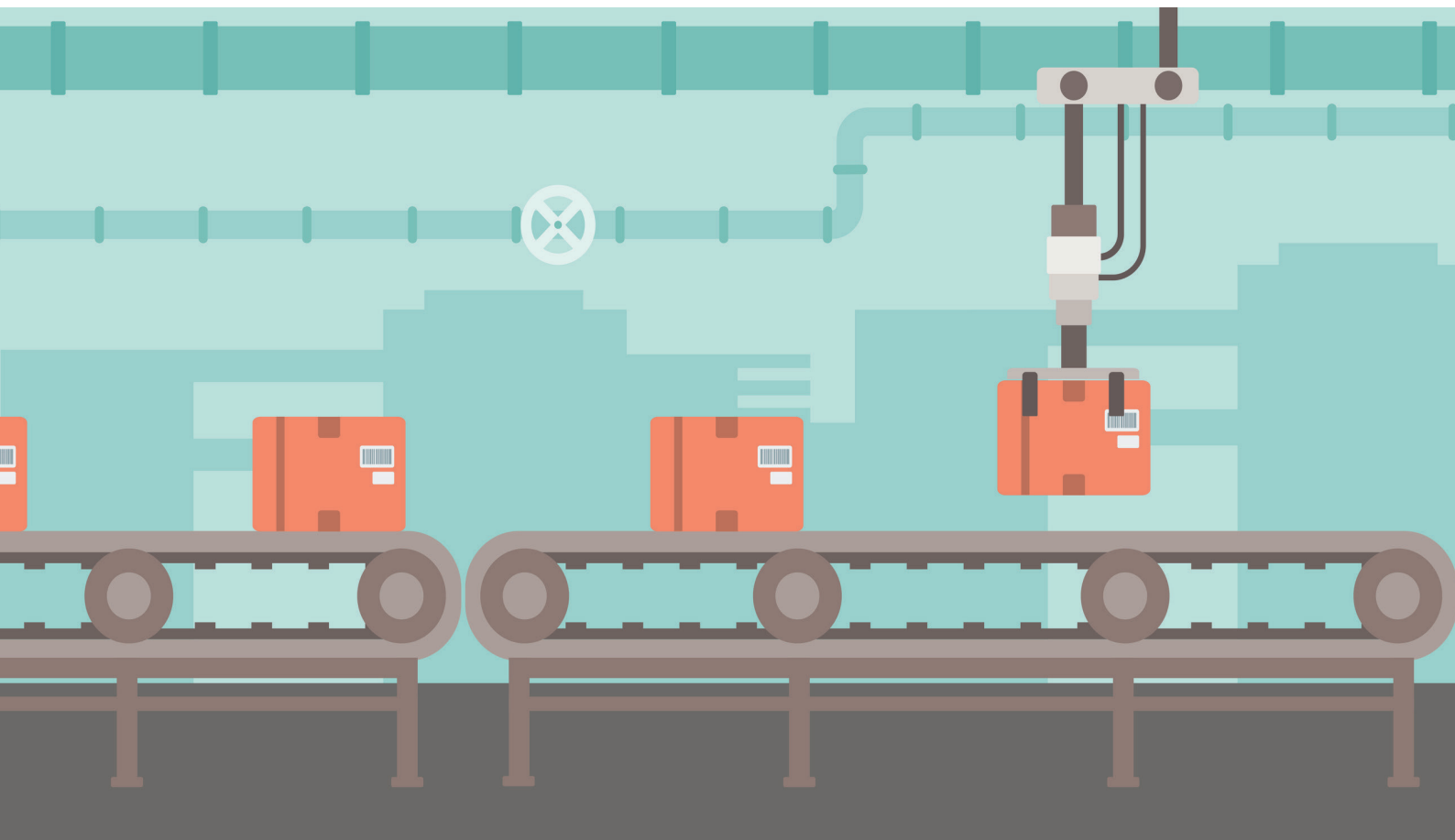




eDelivery
Fulfilling the multichannel promise



THE POWER OF PACKAGING: A MISSED OPPORTUNITY

 **Smurfit Kappa**
Open the future

Executive summary



This white paper explores how pace-setting retailers and brands are differentiating themselves and driving customer loyalty through innovative packaging in the ecommerce space. It also exposes a worrying latency in the wider ecommerce market in regard to adopting best practice packaging strategies, despite an understanding that doing so would bring commercial benefits and higher levels of customer satisfaction.

An important discovery from our research survey, conducted in partnership with Smurfit Kappa, is that cost of packaging is the most pressing concern for eRetailers and is holding them back from being more adventurous with the boxes and packaging materials they send out to customers' homes and collection points. Nearly half (47%) of respondents felt their packaging could be more cost effective. However, research by Dotcom found that 52% of consumers are likely to make a repeat purchase from an online merchant that delivers premium packaging, with 4 in 10 saying they would share an image of a delivery via social media if it came in a unique package. For these reasons, return on packaging investment can be quite significant if the packaging is designed in a way that is both aesthetically pleasing to the consumer, and sustainable for the business.

Our research confirms that bespoke, 'engineered' packaging is of growing interest to eRetailers and brands seeking ways to control costs and overcome practical challenges in the supply chain, as well as impress customers at the important 'unboxing' stage. There is also recognition that branded packaging can be incredibly powerful.

By embracing the notion that packaging is now a marketing tool in its own right – embodying the brand - eRetailers can stand out in a crowded market and deliver memorable experiences to customers. Our research revealed that 82% of eRetailers think ecommerce packaging should reflect the brand, yet only 35% of respondents felt their ecommerce packaging currently fully reflects their brand. It's fascinating that the majority of those questioned (63.5%) believe they could enhance the customer experience with better bespoke packaging.

Our conclusion is that by approaching innovative packaging specialists and finding the right cost solutions, ecommerce retailers and brands can overcome practical supply chain challenges, and engender loyalty amongst customers who appreciate a truly memorable experience at the point of delivery. Ecommerce packaging presents an exciting opportunity and our prediction is that the industry will witness a wealth of innovation in structural packaging design and branding in the coming decade.

“Taking a step away from the traditional 'bricks and mortar' store means there is a significant reduction in opportunities for retailers to interact with the end consumer. Branded packaging is a way to offset this reduction, providing a unique marketing opportunity which, if used creatively, can leave a lasting and memorable impact on the consumer”

Introduction

Ecommerce packaging is at an exciting stage of evolution. It's about to become a lot more sophisticated, and customers ordering anything from jeans, to saucepans, to the latest smartphone will be more likely to enjoy the 'wow factor' when opening a parcel on their kitchen table. Retailers who took part in our survey also recognise the many practical, operational and sustainability issues that must be overcome, alongside the momentous new challenge of providing a brand experience on the doorstep.

Help is at hand. Leading corrugated cardboard companies and their in-house structural packaging designers are today using their expertise to guide brands and retailers through the necessary journey toward more intelligent, bespoke and branded packaging. There is also an understanding in the packaging industry of the importance of keeping costs under control and ensuring packaging is easy to store, handle in the supply chain, and dispose of.

In this whitepaper we explore the challenges and opportunities, give practical advice on how to improve and get the best results, and provide detailed case studies highlighting specific wins in delivery packaging design. You'll find top tips at the end of each of the four sections.

If you want new ideas, and a better understanding of the challenges and rewards of taking a more strategic approach to your ecommerce packaging, then this whitepaper is a must read.

“Retailers have an exciting opportunity within eCommerce to reach consumers in a way that was never possible before”

Fiona McMillan, UK Marketing Manager at Smurfit Kappa

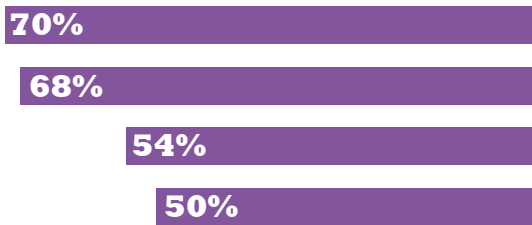
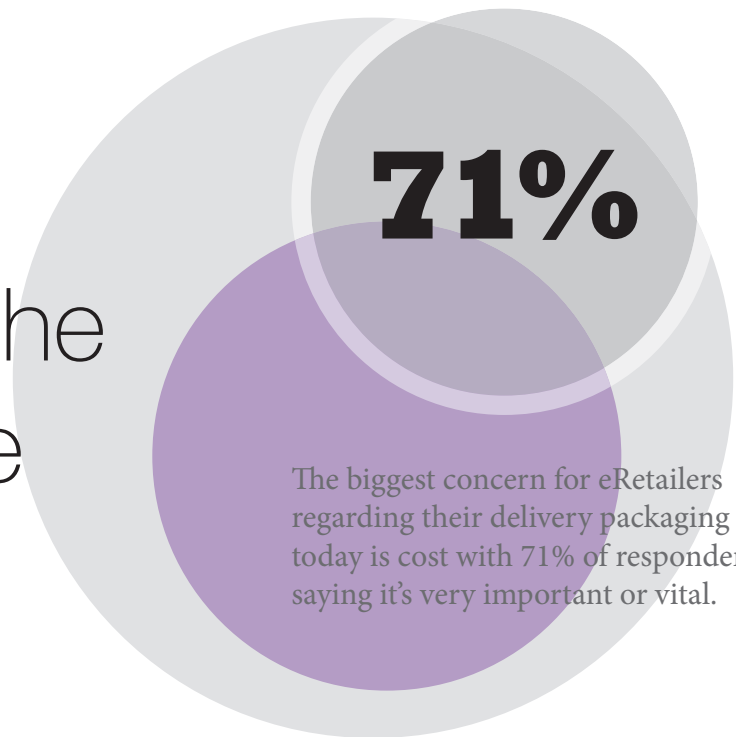
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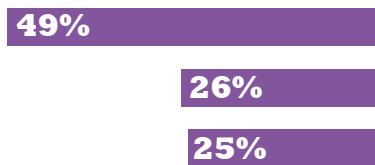
ABOUT THE AUTHOR

Alison Clements is an experienced business journalist and copywriter who has covered the retail sector extensively. A former features editor on Retail Week, and regular contributor to Internet Retailing and eDelivery, Alison takes a special interest in the rise of ecommerce and implications for the supply chain. Based in Sussex, Alison spends her screen-free time exploring the South Downs.

10 key findings of the ecommerce packaging survey

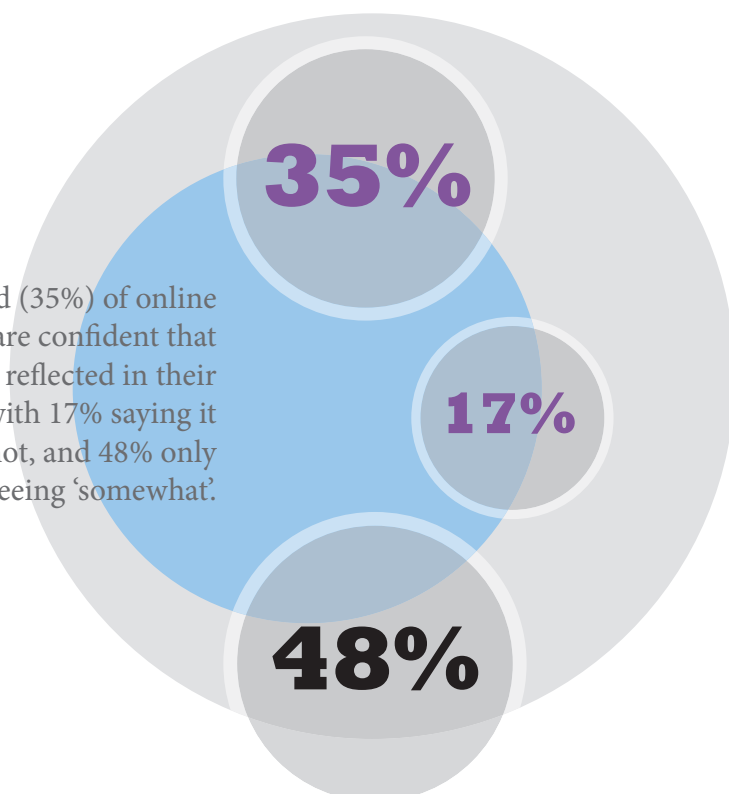


The next areas of concern for those with responsibility for ecommerce packaging are 'practicalities for the consumer' and 'practicality in the supply chain' which were flagged up as a major concern by 70% and 68% respectively. 'Branding' was considered very important and vital by 54% of respondents, and 'environmental impact' by 50%

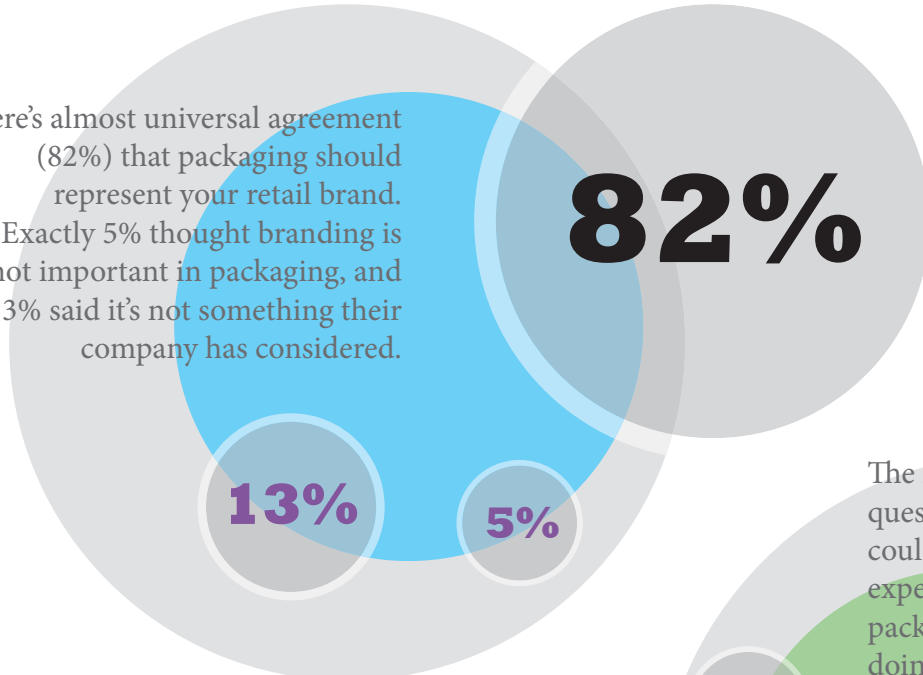


Only 26% of respondents say they are fully committed to bespoke packaging. 49% of respondents are using a mix of bespoke and off the shelf packaging for shipped product, while a quarter (25%) are using only off the shelf packaging solutions.

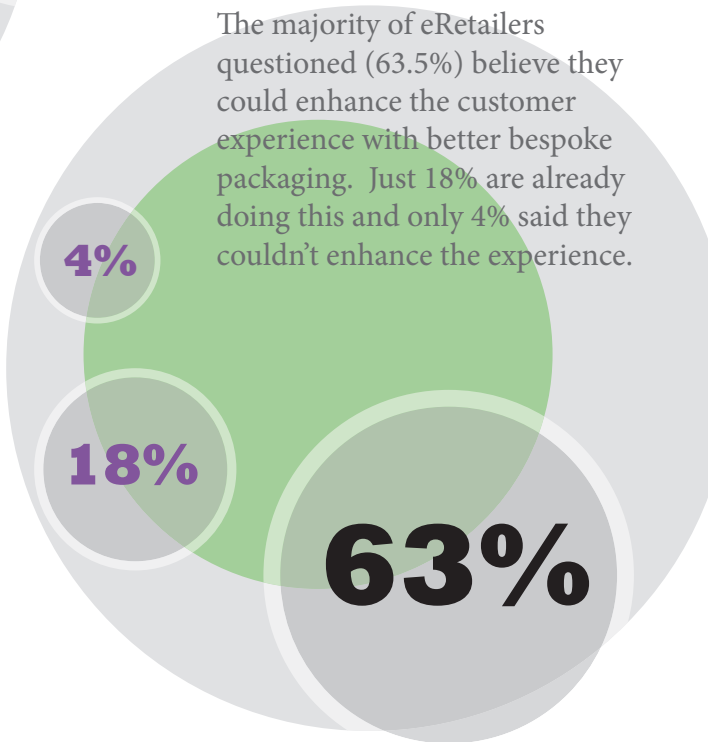
Just over a third (35%) of online retailers are confident that their brand is reflected in their packaging, with 17% saying it definitely is not, and 48% only agreeing 'somewhat'.



There's almost universal agreement (82%) that packaging should represent your retail brand. Exactly 5% thought branding is not important in packaging, and 13% said it's not something their company has considered.



The majority of eRetailers questioned (63.5%) believe they could enhance the customer experience with better bespoke packaging. Just 18% are already doing this and only 4% said they couldn't enhance the experience.

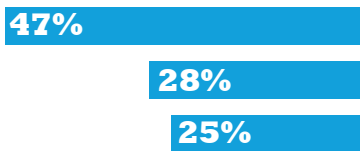
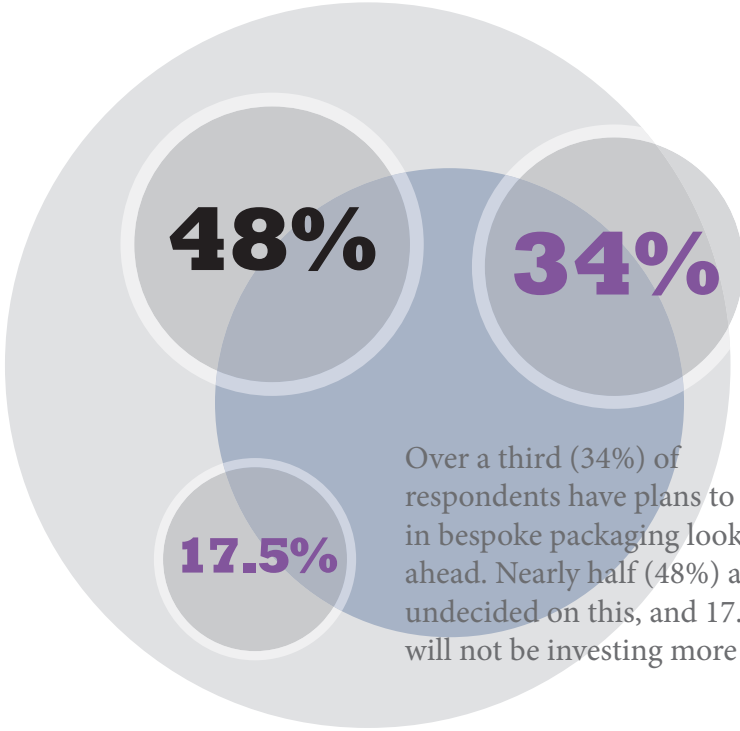


48%

34%

17.5%

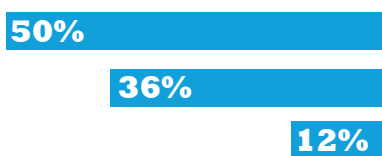
Over a third (34%) of respondents have plans to invest in bespoke packaging looking ahead. Nearly half (48%) are undecided on this, and 17.5% will not be investing more in this.



Almost half (47%) of respondents thought their current ecommerce packaging could be more cost effective, with 28% saying it couldn't and 25% not sure.



Half of respondents (49%) felt sustainability of packaging is important for their brand and for economic reasons, with only 7% saying it's not important at all.



Over a third (36%) said recent bad press about excessive packaging had made them reconsider their packaging, while half (50%) said it hadn't, and 12% didn't know.

Analysis of the survey findings

Our research reveals that many eRetailers are missing an opportunity when it comes to ecommerce packaging. There are fears of higher costs, concerns about disrupting existing supply chain operations, and lack of knowledge about what the options are.

The results of this eDelivery/Smurfit Kappa survey make fascinating reading, and suggest ecommerce packaging is on the brink of a new dawn – one where bespoke, branded and high-performing packaging begins to play a part in the race for excellence in multichannel retailing. A total of 225 retail and ecommerce company representatives completed the online survey during September 2016, having been contacted through the eDelivery.net database.

“Retailers have an exciting opportunity within eCommerce to reach consumers in a way that was never possible before,” says Fiona McMillan, UK Marketing Manager at Smurfit Kappa. “Packaging is an extension of the brand and is the first thing a consumer sees after ordering products online. Bespoke, branded and high-performing packaging doesn’t necessarily mean increased costs. It can however act as the bridge between retaining loyal customers and losing market share to competitors.”

COST CONUNDRUM

The biggest constraint for eRetailers regarding their delivery packaging today is cost with 74% of respondents saying it’s a major or vital concern. Cost was widely cited as a reason for not making improvements to packaging. Two thirds (63.5%) agreed that the customer experience can be enhanced with bespoke packaging, yet only 18% said they already do this.

With 47% of respondents saying their packaging could be more cost effective long term, it’s surprising that, overwhelmingly, reasons given as ‘barriers for change’ were “initial cost outlay”, “re-design costs”, “cost of change”.

McMillan comments: “At Smurfit Kappa, our ethos is about adding value to our customers as opposed to adding cost. Whether it is switching to a different paper grade, using bespoke software to optimise pallet layouts and quantities, rationalising the amount of packaging SKUs or even switching to an automated packing process, it’s possible to offer a comprehensive solution with the strategic aim of taking cost out of your business.

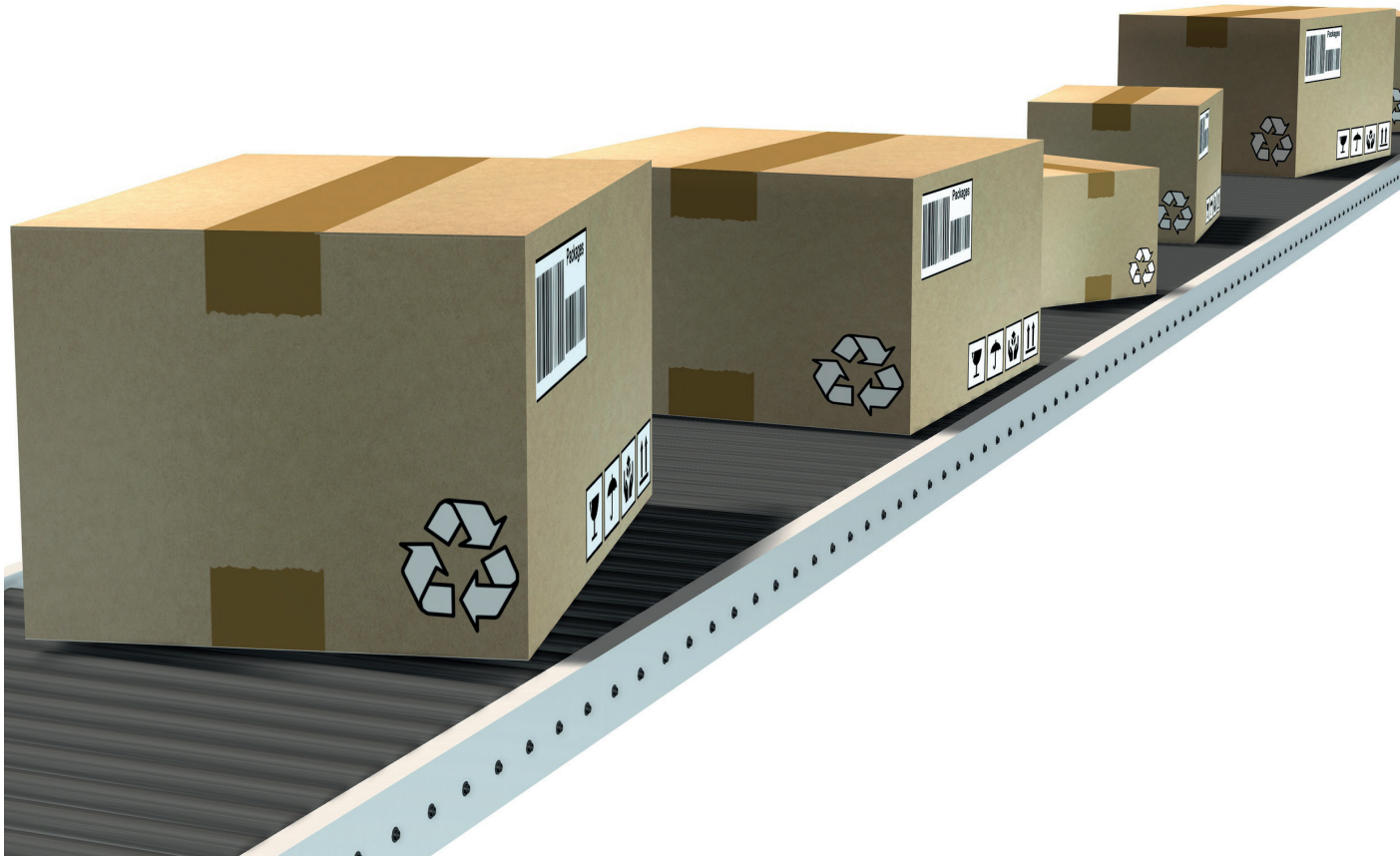
EFFICIENCY IN THE SUPPLY CHAIN

The next areas of concern for those with responsibility for ecommerce packaging are ‘practicalities for the consumer’ and ‘practicality in the supply chain’, coming very close second and third. Clearly the ecommerce community is well aware that streamlined processes including using packaging engineered for optimum performance in the supply chain, and once in the hands of the consumer, could lead to much needed time savings. But feedback in the survey gave insights into the big challenges eRetailers face. One respondent we spoke to said: “We have to consider the different types of products being shipped, as well as the demands of the customer and the constraints of carriage handling.” Clearly overhauling packaging is a decision that takes careful consideration and needs the full commitment of the board before benefits can be forthcoming.

Sustainability is also top of mind for eRetailers with over a third of the survey

“With the right size, corrugated cardboard grade, and style of boxes and sleeves it’s possible to reduce returns rates and cut the need for refunds for damaged goods”

Andy Barnetson, Director of Packaging Affairs at the Confederation of Paper Industries (CPI)



respondents saying recent negative publicity about excessive delivery packaging has forced them to reconsider their approach to packaging. External forces are clearly driving innovation too.

BRANDING

The vast majority (81%) of the 225 industry respondents who took part in our survey acknowledged that packaging should represent the brand, yet only 35% could say they 'strongly agree' that their brand is reflected in packaging. Larger companies particularly those in the fashion/clothing/footwear/beauty sectors were most likely to have branded packaging.

It seems retail boards are starting to consider bespoke packaging as a worthwhile operational and marketing strategy in ecommerce with over a third (34%) of respondents planning to invest in bespoke packaging in the near future. Tellingly a large proportion (48%) is undecided on this, suggesting retailers are not fully convinced of the benefits of going down the bespoke route. Reasons cited for holding back were "cost, effort and this is low on a long list of priorities", and "finding a quality alternative supplier". Others were concerned about maintaining brand image citing how difficult it is "to source packaging with added perceived value, that will reflect the brand and that is also sustainable and cost effective".

Taking a step away from the traditional 'bricks and mortar' store means there is a significant reduction in opportunities for retailers to interact with the end consumer. "Branded packaging is a way to offset this reduction, providing a unique marketing opportunity which, if used creatively, can leave a lasting and memorable impact on the consumer," says McMillan.

"Innovative design, print, textures and even technology – such as augmented reality can all be utilised to differentiate. The result is sustainable, cost-effective packaging, reflective of your brand strategy."

Context



There's been an explosion in parcel delivery as the British public - and most of the world - have fully embraced online shopping. Online retail parcel volumes grew by 16% in 2015, according to the IMRG MetaPack UK Delivery Index. During the year the UK's e-logistics sector dispatched a record 1.065 billion parcels, of which an estimated 260 million were handled through the November and December peak trading period. When you consider these volumes, it's not surprising that demand for optimised delivery packaging by fast fashion retailers, luxury brands, electricals, entertainment and general merchandise retailers is on the increase.

Protection of the product has long been the core purpose for packaging, but today there are other considerations driving innovation. There's a new focus on optimising packaging for speed in the supply chain, for easy handling in the warehouse, for easy opening by the end consumer, and for the purposes of environmental sustainability and cost efficiency. Branding on delivery packaging now also poses an exciting new opportunity for eRetailers. In our survey we have identified significant interest from vendors in making the delivery part of the online shopping experience more memorable – if doing so fits with their brand and their budget.

Supply Chain Operations: Protection, delivery and returns

Anyone involved in e-retailing will be on a mission to improve efficiencies in their supply chain in order to accelerate the product delivery journey and slim down costs. The good news is that with the latest packaging solutions both objectives are achievable. Our survey found that 'practicalities for the consumer' was a pressing concern for eRetailers with 70% citing this as a key issue for their company. 'Practicality in supply chain handling' was also a big concern with 69% citing this. Cost – or trying to take out cost – was the biggest concern with 71% saying it was very important or vital.

BOOSTING PROTECTION AND PERFORMANCE

Getting packaging wrong produces an awful experience, leaving the customer annoyed that their product might have been tampered with, soiled, or damaged. There's understandable irritation at having to sort out a refund or request a new order. So protection of the enclosed item is of paramount importance, and today by optimising packaging you can maximise protection while keeping costs and waste at a minimum. Additional prizes for making this effort come in the shape of reduced returns and happier customers. Protective yet pristine packaging can have a hugely positive impact on the whole brand experience, not to mention the retailer's profit margin.

"With the right size, corrugated cardboard grade, and style of boxes and sleeves it's possible to reduce returns rates and cut the need for refunds for damaged goods," says Andy Barnetson, Director of Packaging Affairs at the Confederation of Paper Industries (CPI). "A large percentage of retail returns can be caused by damage in transit or quality issues with packaging, so taking expert advice and paying attention to packaging design can tackle this problem head on."

Customers are unlikely to make a repeat purchase if their first order has been damaged in transit. For the retailer, poor packaging amounts to time,

“ It pays dividends for retailers to work closely with their packaging suppliers to optimise the packaging being used. They can advise on how to choose the right packaging based on size, weight, number of products in each box, and how this integrates with the warehouse management system ”

Craig Wheeler, Operations Director at Feelunique.com

money and resources being spent on replacing damaged product. That means written off inventory, customer dissatisfaction and hidden staffing costs in despatch and customer services.

“Today the corrugated cardboard industry is looking at ways to work with their customers and drive performance in the supply chain,” says Barnetson. “This is already delivering results. The more communication you have up and down the supply chain, the better things work.”

Issues being addressed are pallet efficiency, so that boxes are optimised for certain pallet sizes, selecting the most appropriate fluting grade of cardboard that will protect cost effectively, tailoring boxes to warehouse processes such as ease of movement on conveyors and racks, and ensuring boxes will cope with transit through the courier system. In some cases, boxes and cartons are designed to comply with a size-specific postal rate – potentially reducing down the cost of carriage in the postal system or courier network.

“And at a basic level there is great progress being made on improving the end-user experience of opening the box,” says Barnetson. “If a box opens up in an easy way, with some clever design, and without the need for the customer to have to reach for scissors, so much the better.”

Tim Robinson, Chief Executive of Doddle the click and collect parcel point service, says that he sees very little damage to the parcels that come through Doddle locations, “which is a testament not just to retailers but to the packaging and logistics industries as well”. However his experience is that the biggest challenge for retailers and their packaging is at peak. “We found last year when retailers were working against the clock to deliver in time for Christmas was when the most packaging waste occurred. We saw a lot of retailers fall into the one-size-fits-all trap, using excess packaging in a bid to speed up picking and packing operations. Here you end up with an excessive item to air ratio, which frustrates customers when they find they’ve lugged home a big box for a small item.”

A key learning is that it’s a false economy to rationalise packaging to a one size fits all solution. The danger is that if you use a box that is over-sized for the product, you will need more void fill materials and risk damage anyway. This could lead to costs through product replacement and customer dissatisfaction – which will far outweigh your initial savings in packaging material stocks.

Forward-looking companies are paying close attention to the quality and performance of their delivery packaging through carefully tracking and monitoring at points in the package journey, through different stages of warehouse or distribution centre processes, and during the courier journey. It can also prove valuable to gather feedback from customer surveys on the state of parcels on arrival, and customer views of the unboxing experience. (see Feelunique.com case study)

“It pays dividends for retailers to work closely with their packaging suppliers to optimise the packaging being used,” says Craig Wheeler, Operations Director at Feelunique.com. “They can advise on how to choose the right packaging based on size, weight, number of products in each box, and how this integrates with the warehouse management system. We feed back problems to our packaging partner and switch to better boxes or different sizes as soon as we spot issues with parcels arriving in poor condition.”

HOW PACKAGING CAN EASE THE BURDEN OF RETURNS

Given the high rate of returns experienced by the majority of online retailers, ease of return and reverse logistics should be a prime consideration when planning your packaging strategy. It’s important to consider how quickly and easily your customer can open your packaging,



inspect their purchase and, if necessary repackage it for return and credit or replacement.

Sending items out in boxes that can be easily re-used by the customer to return the item is a winning situation. It helps your valued customer with a tricky and highly unpopular job, and it can ensure you receive items back in decent shape. This can also drive considerable cost savings.

What constitutes 'easy open packages'? These tend to be boxes with a built in tear strip and resealing tape. Such boxes can aid returns while also protecting your inventory. At the same time, this improved customer return experience will more likely lead to additional purchases and therefore improved turnover and profit.

MEETING THE CARRIERS' REQUIREMENTS

Increasingly it's now possible to have ecommerce delivery boxes designed with the final mile delivery solution in mind. Cardboard box manufacturers and their in-house designers know how helpful it is for boxes to fit precisely onto pallets, into parcel lockers, through letter boxes and be stored at parcel shops and collection points. Better still there are ways to reduce the volumetric size of boxes used in e-delivery, which will drive efficiencies and reduce the carbon footprint.

SIX WAYS TO DRIVE EFFICIENCY THROUGH ECOMMERCE PACKAGING

- **Packing line efficiency** – There's a big trend towards automation in warehouses and distribution centres so parcel boxes need to be designed to work with the packing system and fit within standardised/optimised handling procedures. If packing is being done by hand, how fast is the process, where can it be streamlined, and what are the health and safety considerations when designing packaging?
- **Optimisation of space inside the box** – By minimising internal pack space it's possible to cut distribution costs. The industry average for wasted space is 25%.
- **Optimisation of space on pallets and in transit** – Research the optimum pack size, style and fit. Here you must consider performance of the box, against its size and weight and its unit cost. If you can improve your palletisation efficiency it's possible to reduce waste and cut out damage, common where boxes do not fit neatly onto pallets.
- **Optimising for postal/carrier costs** – Boxes can be designed to ensure products qualify for the best courier rates. Couriers are starting to work with retailers more closely on this and can also advise on the packaging implications for cross border deliveries.
- **Returns efficiency** – Consider using easy open packaging which can be re-sealed, re-labelled and returned with ease.
- **Rationalising the range of your packaging**, such as different size boxes, could also help save on storage space and cost. But be careful not to over-rationalise.

“ Packaging is now a marketing tool. Retailers appreciate that their corrugated cardboard boxes need to do more than protect products, which has historically been the main purpose of packaging. Now packaging is customer-facing because it is arriving at their home or chosen collection point. It needs to encompass the retailer’s brand values, tone of voice and marketing messages. It needs to be unique and interesting ”

Chris Stuart, Market Sector Innovations Manager of Smurfit Kappa

Innovation

What is driving innovation in ecommerce packaging today? For retailers struggling to master the intricate craft of omnichannel retailing, there is constant pressure to cut costs and in our survey this is the biggest concern for eRetailers, suggesting cost improvement would be a powerful driver of packaging innovation.

This means sourcing the most robust yet economical materials, cutting out time and material waste in the supply chain, reducing returns and working with couriers to deliver the best customer experience at a competitive price. Nearly half (47%) of respondents thought their current ecommerce packaging could be more cost effective, with only 28% saying it couldn’t and 25% not sure.

Innovating with bespoke packaging is high on many retailers’ agendas. We found that 63.5% of survey respondents believed this would enhance the customer experience. Just 18% said they are already providing bespoke packaging in this way.

PRESSURE FROM COMPETITORS

Of course seeing competitors innovate and gain kudos from their high performing packaging is and will continue to be a big driver. Apple’s packaging is often cited in the tech category as being exciting by design, and a joy to open, and evidence of this can be seen in the vast numbers of unboxing videos on YouTube and favourable references made across social media. The high end US clothing retailer Trunk Club is also demonstrates how powerful it can be to do things differently and gain publicity on the back of clever packaging. British clothing retailer Next is admired today for executing its delivery and returns packaging very well.

Multichannel supply chain expert Neil Ashworth, CEO of Collect Plus, has witnessed the arrival of performance, or ‘premiumised’ packaging that improves market penetration, cuts out waste and speeds up supply chain processes. “Retailers are always looking for cost reductions, and ways to make the process of receiving or returning a parcel as fast, convenient and reliable as possible for their customers,” he says. “Today there’s also a big pressure to make the unboxing and returns experience better than your competitor’s.”

A turning point has been the arrival of bespoke packaging. Around a decade ago, a handful of retailers and brands – Selfridges and Apple most notably - pioneered bespoke shipping packaging. The aim was to engage more directly with online shoppers who received their goods, and improve performance in the supply chain. Now it appears the industry is playing catch up.

Chris Stuart, Market Sector Innovations Manager for Smurfit Kappa says: “Leading packaging companies recognise this new landscape and are adapting their services and expertise in order to meet new client needs and expectations. There is a lot of problem solving today in ecommerce packaging design and this is why at Smurfit Kappa we host workshops for retail clients in our Innovation Centres. We brainstorm with them to generate fresh ideas and ways to make packaging exciting, but also functional, affordable and user friendly.”

Stuart says the two big concerns he hears from retailers about their ecommerce packaging is “over-packaging, where customers are annoyed about the amount of cardboard being used”, and “products not being easily accessible”.

If customers are struggling to get things out of boxes, it’s down to the structural packaging designers to come up with practical solutions. “That means building a clever box that will overcome issues of access and waste. There’s also a need for boxes to save time and money at the packing stage.”



THE NEED FOR SPEED

There's intense pressure in this sector to speed up processes and expedite delivery to keep ever-more-demanding customers happy. Research by on-demand delivery platform Stuart [Sept 2016] revealed just how high consumers' expectations of delivery are today, suggesting that 72% would spend more if they could be sure of same day delivery.

So every second counts in the retail supply chain. A major consideration for logistics professionals in the e-delivery sphere is packing line speed. Identifying bottlenecks on the line such as labelling, leaflet insertion, sizing, end-of-line processes and packaging material choices all contribute to the individual line speed and can be improved through the correct packaging solutions. Many eRetailers are considering switching to a semi or fully automated packing process.

Self-erecting boxes have become popular in recent years because they are quick and easy to assemble in the warehouse. Crash lock boxes can be assembled in seconds and there is less need for the time-consuming activity of taping up seals on individual boxes. New box designs also boast a secure 'peel and seal' feature, ready for dispatch.

LISTENING TO THE CUSTOMER

Some forward-looking companies are paying close attention to the quality and performance of their delivery packaging through customer surveys. Craig Wheeler, operations director at beauty products retailer Feelunique says this knowledge is what drives innovation in packaging for the company.

"Through customer feedback surveys we get a real understanding of how our packaging is performing, how it copes in transit, what customers think of the look of it when it arrives as at their home," says Wheeler. "We send a simple email requesting feedback just after a parcel has been delivered. If packages arrived dog-eared, or ripped customers feel strongly about it, and they will gladly let you know. We have between 12% and 15% response rates sometimes up to 25%, which I think shows just how interested customers are to let you know how they feel about your service."

SIX MOST IMPORTANT INNOVATIONS IN ECOMMERCE PACKAGING

- **Frustration-free packaging** – Easy-to-open for customers, and simple to unpack, store or breakdown and recycle, or use for returns, customer feedback and testing with employees can help retailers improve the packaging experience
- **Inside printing and branding** – Providing the wow factor when opened and extending the reach of the brand into the consumer's home
- **Radical box designs** – From Japanese web giant Rakuten sending out fresh eggs by post, to snack subscription retailers like Graze engaging customers with beautiful, distinctive pack design, the pressure is now on for structural packaging designers to think more creatively
- **Efficiency optimised boxes** – Boxes that can be quickly assembled and sealed speeding up the packing line process, also optimised for product size and pallet efficiency and for ease of movement in cross-border delivery situations.
- **Sustainable materials** – New designs, using a mixture of recycled and virgin paper, creating less waste and made to be easy to recycle
- **Security solutions in packaging** - such as tamper-evident tape or peel and seal boxes which ensure that shipped products and brand integrity are well-protected.

Brand impact

Ecommerce packaging has become the face of the brand. Respondents to our survey fully accept this development, with 82% saying packaging should reflect the brand.

Yet not nearly enough attention is being given to branded packaging according to our survey, which suggests a big missed opportunity. Only 35% of respondents felt their packaging currently reflects their brand. The vast majority of eRetailers questioned (63.5%) believe they could enhance the customer experience with better bespoke packaging. Over a third of respondents (34%) have plans to invest in bespoke packaging looking ahead. Nearly half are undecided on this, and 18% will not be investing more.

In ecommerce versus physical retail, merchants have fewer touch points at which to impress and wow customers. So it's vital to utilise every opportunity to create a branded experience that sets you apart from competitors as well as one that creates a memorable experience for your customers.

The power of brand equity cannot be underestimated, yet Tim Robinson of Duddle is surprised how often retailers skip on the opportunity to brand their packaging. "Fashion retailers stand apart in this respect with many using very distinctive, branded packaging, but not all," he says. "The trend of people filming themselves unboxing their hauls' and posting it online would suggest that improving the branding and creative artwork on packaging could bring about greater brand visibility for a number of online retailers, while also encouraging more engagement on social media as consumers share the beautiful or unusual packaging of their purchases."

Ecommerce packaging has the power to deliver a buzz, or at least a warm glow, as customers unpack their web shopping on kitchen tables and in bedrooms and living rooms around the country. With ecommerce on the rise, more digital shopping sites mean more choice for consumers. Brands want to stand out from the crowd by looking good at every customer touchpoint. The right packaging can provide this.

Neil Ashworth, chief executive of Collect Plus says: "Customers are not going to be inspired by the brown box any more. This is not giving any sense of a branded experience." He adds: "What the clever retailers are doing now is far more aspirational and exciting - providing a genuine brand experience in the unboxing. Opening a Ted Baker box is an experience in itself. Retailers like this are spending time and effort with the physical look of the packaging and the marketing material inside - it might be branded tissue paper, printed booklets, tone of voice in the labelling, colours, quality of the materials. It all helps to engage customers and give them a premium experience."

Chris Stuart of Smurfit Kappa agrees: "Packaging is now a marketing tool. Retailers appreciate that their corrugated cardboard boxes need to do more than protect products, which has historically been the main purpose of packaging. Now packaging is customer-facing because it is arriving at their home or chosen collection point. It needs to encompass the retailer's brand values, tone of voice and marketing messages. It needs to be unique and interesting."

He says the beauty of delivery packaging is that it provides an additional channel for branding to work its magic. For retailers like Graze and HelloFresh – both subscription format brands – customers can enjoy amusing copy on box surfaces – 'Warning, contents may be dangerously delicious' in the case of HelloFresh recently. In this way printed boxes can carry messages and puns, which reflect the wider brand voice.

In a recent survey in the US, Dotcom Distribution found that 52% of consumers are likely to make repeat purchases from an online merchant that delivers premium packaging. In that same study, Dotcom also found that nearly 4 in 10 consumers would share an image of a delivery via social media if it came in a unique package.

Maria Haggerty, CEO of Dotcom Distribution says: "The value of premium packaging extends far beyond the customer experience into residual marketing effects. The experience goes beyond the online order to when the customer actually opens the beautifully wrapped package and shares that experience across social

“Customers are not going to be inspired by the brown box any more. This is not giving any sense of a branded experience”

Neil Ashworth, chief executive of Collect Plus



networks. That act of online and social recommendations drives loyalty from your customers and promotes brand awareness.”

However retailers need to think carefully about how to encompass their brand voice in packaging form, and get the tone right for what can sometimes be a broad audience. “You need be sure who your audience is,” says Craig Wheeler, operations director of Feelunique. “Will a young, vibrant, cheeky style suit all ages for example? Which international audiences are you sending parcels to and will they have different tastes and aspirations? The key is to communicate your brand in an engaging way, but not to alienate anyone.”

RETAILERS MUST ALSO THINK ABOUT RETURN ON INVESTMENT

When considering custom packaging online retailers and brands should carefully weigh up the costs versus ROI projections. Bespoke packaging will typically cost more to make than standard off the shelf products, but if you have the right volumes it can be highly cost effective. Spending just a few pence more could make the difference between a positive or negative customer experience.

There may be instances where extra weight or size will affect the shipping costs, but again this has to be considered against the benefits of offering premium packaging. It’s possible to work with packaging suppliers to guarantee ROI. “It may be that cost savings can be made from efficiency further along the supply chain, because of the intelligent box design, so retailers need to work closely with suppliers to consider total supply chain savings,” says Barnetson of CPI. “Your total packaging volume might go up, but it may be more robust and therefore cost efficient and better for the environment in the long term.”

Not all retailers will want or need bespoke packaging and indeed our survey found that a tiny minority – 5% - didn’t think they needed to consider a branded or bespoke packaging experience. A key consideration is customer expectation. Brands and retailers know their customers better than anyone – would these people respond well to premium packaging? Or is value and speed of delivery more of a priority than luxury cartons, ribbons and tissue? Perhaps just a tweak to existing box designs and subtle branding will suit your customer needs and your budget better than a complete re-engineering project?

SIX WAYS TO BRING YOUR BRAND ALIVE THROUGH ECOMMERCE PACKAGING

- Consider printing on, or inside, your boxes – internal or external printing of your logo is a great way to incorporate brand equity, as well as eye-catching splashes of colour into the packaging
- Transform the humble box into something else – a suitcase, a giant sandwich, a book. Creating a ‘shareable’ unboxing experience for your brand could result in viral social recommendations and therefore great exposure for your brand.
- Multichannel marketing tie-ins – the brand’s current messages should reach all channels including the packaging. This might be in the form of competitions, vouchers, branded booklets and business cards - the possibilities are endless and often inexpensive.
- Clever copywriting - printed messages on boxes and on material within can be funny, helpful, cheeky – adding interest and bringing the brand to life. This can also compliment instore POS materials keeping multichannel marketing messages consistent.
- Branded stickers, tape, tissue filler - additional branded materials look good while also performing functions such as protection and security.
- Augmented reality to extend your marketing reach – New technology is making it possible to engage with customers through everyday objects, including packaging. For instance the Blippar app is a simple way to enhance brand communications and utility with a unique digital experience.

Environmental sustainability

Consumers judge brands on quality of service but increasingly they're aware of environmental issues too. Ecommerce retailers today know that they must advocate 'reduce and recycle' behaviour as not doing so could land them in trouble with the media and upset customers. There's also a very clear commercial benefit of optimising packaging for a reduction in carbon footprint, as this is likely to reduce costs too.

Confirming this, our survey found that almost half (49%) thought sustainability is important to their company for brand and economic reasons. Only 7% said sustainability was not at all important.

In the packaging industry real progress has been made around sustainability so that cardboard today is manufactured using largely recycled materials, mixed with a small percentage of virgin fibre from FSC-approved sustainable sources. Cardboard itself is highly recyclable and the retail and ecommerce sectors have put plenty of effort into encouraging their customers to recycle and re-use. "Increasingly boxes are engineered specifically to minimise volume and to make disposal easy for customers," says Stuart at Smurfit Kappa. "Corrugated cardboard is a highly versatile packaging material which, when manufactured from recycled papers and printed using environmentally-friendly inks, provides a superbly performing sustainable product."

That said, the most pressing danger for eRetailers is that perceived wastefulness or 'over-packaging' can attract bad publicity. This has been the case with British broadcaster Hugh Fearnley-Whittingstall exposing retailers including Amazon and the merchants it hosts for sending out inappropriate sized boxes and large amounts of void fill material. Our survey reveals that over a third of companies questions have reconsidered their packing on the back of this recent negative press. Working with suppliers to tackle the problem can iron out risks of being seen as wasteful, while often boosting efficiency, so it's well worth doing.

Sometimes you can make environmental and cost savings by looking at your processes, rather than the materials used. It might be that somewhere along the packaging process a recurring problem is causing regular damage to boxes and their contents – for instance pallets falling over at a point in the supply chain, or boxes being roughly handled by an outdated shrink wrap machine. Before you upgrade to a higher quality, thicker grade cardboard for your boxes to protect them better at these junctures, it's worth looking at sorting out the supply chain problems first. You may not need stronger boxes after all.

Sustainability of packaging can become a characteristic of the brand. This is the case for HelloFresh which as a company prides itself on its ethical and environmental values. Head of Product and Innovation, Luke Grob says recycled corrugated cardboard or materials that have come from sustainable sources are used throughout, "and there's a lot of communication with customers about the importance of recycling packaging". The company currently uses Woolcool www.woolcool.com as thermal insulating void fill which is a highly effective natural and sustainable material, and is proving very popular with customers.

Couriers and click and collect facilitators are also working to improve packaging sustainability. "Within Doddle, we're trying to help customers by taking back their unwanted cardboard and help them to dispose of it thoughtfully," says Robinson at Doddle. "We've been looking at ways to upcycle the cardboard and this has given us a few interesting ideas, including turning it into office furniture for our head office team."

SIX WAYS TO IMPROVE SUSTAINABILITY OF YOUR PACKAGING

- Use cardboard boxes made from sustainably sourced recycled and virgin paper, which will be 100% recyclable for the consumer through kerbside collection.
- Consider the amount of packaging going out to customers. By standardising dimensions you can reduce the overall packaging footprint improving efficiencies throughout the supply chain.
- Choose a pack style that is easy to break down for recycling, not too messy to handle and that doesn't pose a risk of injury.
- Rethink your void fill – choose a material that is easy to recycle but not difficult for the customer to deal with.
- Check with your packaging supplier that inks being used in printing are not harmful to the environment.
- Fix problems in the warehouse or with couriers that might be damaging boxes rather than resorting to thicker grades of cardboard and more protection.

Conclusion

Branding is becoming an important consideration in the world of ecommerce packaging. This is because retailers have learnt that customers who order shoes, books, underwear, chocolates, phones, jewellery – pretty much anything online – are disappointed when these precious purchases turn up on their doorstep in a plain, oversized box, or stuffed inside an anonymous polythene bag.

There are also big wins to be had from working closely with packaging suppliers to optimise your packaging so that it performs better for you through the supply chain, boosts your efficiency, and makes your customers smile, rather than scowl, when it comes to opening those well-travelled boxes.

Yet retailers are holding back, and many are missing an opportunity due to fear of investing for the long term. Those who do have the backing of the board to take the leap to better quality, performance-engineered, bespoke packaging will be in a good position to gain competitive advantage in a very crowded market. Having faith, imagination and a solid business case for instigating a packaging overhaul could deliver big gains for years to come.



Packaging case studies



HelloFresh

bespoke packaging to delight customers

“Our packaging is essentially our shop window,” says Luke Grob, Head of Product and Innovation at HelloFresh, the food eRetailer which sends out over 8 million meals globally per month. The company long ago acknowledged the importance of delivering an exciting and rewarding unboxing experience to customers who will ideally commit to a long-term subscription with HelloFresh. Each box delivered contains the ingredients for 3 to 5 recipes per week containing all ingredients pre-measured, fresh vegetables, chilled meat and fragrant spice and herb packets.

“Our aim is to delight our customers when they open their boxes once they arrive, enjoy exploring different sections and see that product has been lovingly packed with every item in pristine condition ready for making delicious meals,” says Grob. “Unfortunately the early packaging we used allowed product to jumble up and knock into each other with the risk of tins crashing into tomatoes and red peppers exploding everywhere. There is also a risk of damage when third party suppliers are handling the boxes. We calculated that each box is picked up and set down between 7 and 15 times in the journey to the customer so there are many points at which boxes can be bumped, kicked, perforated or tipped over. We needed a packaging solution that could minimize the impact of those encounters. We needed to reduce movement inside the box.”

While the company started out with unbranded brown bags and boxes, in late 2013 work began to design a bespoke, clearly branded range of boxes, made with the best specification cardboard that would fit the cost structure while providing optimum protection. Most importantly HelloFresh, working with Smurfit Kappa, developed more intelligent packaging that compartmentalised and secured the different food groups.

The boxes today deliver the desired wow factor thanks to attractive branding and colour on the box exterior, ‘easy tear’ opening, and fun and functional sections within. Products are protected thanks to internal ‘shelves’ and sections divided off by internal cardboard dividers, including a thermal area, and buffered space for heavy items such as tins and potatoes. All the cardboard used is from sustainable resources and can be easily recycled, in line with HelloFresh’s brand values. Attention was also paid to the company’s palletisation needs, so that box sizes now fit perfectly on pallets cutting down damage and making loading and unloading quicker and easier.

Since implementation of the new boxes HelloFresh has seen a big reduction in damage in transit says Grob, and customer feedback has been very positive. The company won an award at the 2015 UK Packaging Awards, and is seeing its brand flourish – with signed up customers now enjoying the HelloFresh experience across Europe, the US, Canada, and Australia. Improvements continue to be made, with an upgraded design of box at the testing stage at the time of writing.



Packaging case studies

The Hut Group cutting costs and driving efficiency

Within its portfolio The Hut Group owns and operates the Myprotein.com ecommerce site which dispatches over 5 million boxes of products to their customers per year. James Buckley, Head of Group Procurement has overseen a cost-reduction project recently which saw the group cut packaging costs significantly. The company has calculated that changes to packaging and related processes will save the company approximately £250k a year.

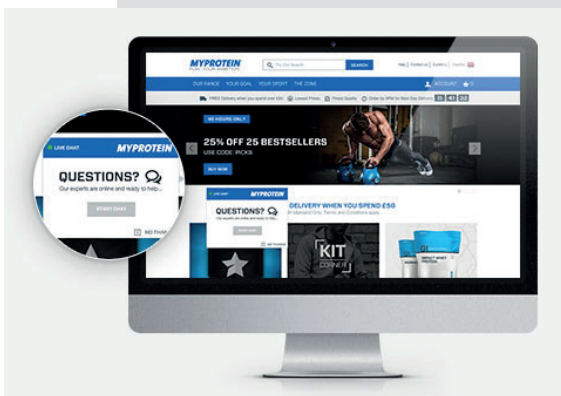
“Across the Hut Group we’re very conscious of balancing the quality experience for customers, with cost efficient packaging,” says Buckley. “While we do have subsidises within the Group www.coggles.com and www.knutsfordengland.com respectfully which demands bespoke luxury packaging, we don’t need all packaging to be highly engineered and premium. In the case of MyProtein we wanted the packaging to be highly effective in the supply chain, engineered for performance and aesthetically pleasing to customers, while keeping costs under control.”

Working with Smurfit Kappa, the Hut Group embarked on an 8 month project, starting in April 2015. The company went through Smurfit Kappa’s ‘eScan’ exercise where the current packaging set-up across the supply chain was analysed, in order to understand where adjustments could be made to reduce costs and optimise their packaging offering. At the core of the project was a decision to move away from 0201 styled corrugated cartons.

“When you’re dealing with 5 million boxes a year, that’s a lot of time spent taping the seals,” says Buckley. “Now having gone through a detailed design, planning and testing process we have moved to crash lock boxes which only need taping at the top to close in a simple action. With this new type of box we’ve been able to almost half the packing time of each order – and gain a high increase in our KPIs.”

The Hut Group recently commissioned a new £120m distribution centre in Warrington, Cheshire which has been built for optimum supply chain efficiency for the retailer. “We need to get a very high number of orders out every day, so all the automated elements, and picking and packing processes have been engineered with this objective,” says Buckley. “For Myprotein.com we rationalised the number of box sizes we deal with – down from 13 to just 6 – and this has really streamlined our pack process minimising inefficiency and driving efficiencies.”

Buckley believes a robust process of testing and monitoring performance has ensured the right decisions were made before fully committing to box sizes and types. “Our testing involved gathering key feedback from key internal stakeholders as well as tapping into the knowledge and advice of Smurfit Kappa. We’ve found that working with a major supplier who understands the realities of the market and the practicalities of the corrugated products has delivered results. Ultimately packing has become easier for our DC teams, customers are happy with the packaging and the protected products, and we have been able to make significant cost savings along the way.”



Feelunique.com

constantly improving packaging performance

Forward-looking ecommerce companies are paying close attention to the quality and performance of their delivery packaging by carefully tracking and monitoring warehouse and carrier performance, and gathering feedback from customer surveys.

Craig Wheeler, Operations Director at Feelunique says: “Every package looks beautiful when it leaves the warehouse, but along the way problems crop up. You might have over-filled trucks squeezing parcels and damaging boxes. Sometimes boxes aren’t the right size for the small products within and this can cause them to get squashed.”

Feelunique uses its tracking system to pinpoint problem areas, and makes sure it works with carriers to fix problems quickly. The company also asks customers directly about packaging, using the ITinsell platform. “Through customer feedback surveys we get a real understanding of how our packaging is performing, how it copes in transit, what customers think of the look of it when it arrives as at their home,” says Wheeler. “A simple email requesting feedback just after a parcel has been delivered gives us really valuable information. If packages arrived dog-eared, or ripped customers feel strongly about it, and they will gladly let you know. We have between 12% and 15% response rates, sometimes up to 25%, which I think shows just how interested customers are to let you know how they feel about your service.”

From these insights Feelunique can learn which size boxes work best for particular deliveries and also has a growing understanding of what its customers do and don’t like. “For instance we’ve found out that customers don’t particularly like white polystyrene chips as void fill, so we’ve largely switched to branded air bags,” says Wheeler.

“Our tracking and customer feedback platforms have driven lots of behaviour change for Feelunique, and these have helped us improve the bottom line. In the competitive marketplace knowledge is valuable and takes the guesswork out of the job. Logistics is all about getting delivery right first time. Having reliable data at our fingertips, showing how we’re performing and where the snags are, gives us a competitive advantage.”



GLOSSARY OF TERMS

Crash lock box:

A box that doesn't require tape to build. The crash lock box can be easily assembled by pushing the opposite corners towards each other, speeding up the packing operation.

Void fill:

Materials used within boxes to be shipped to protect products and fill excess space. This might be polystyrene chips, shredded paper, air pillows.

Unboxing:

The experience of the end user opening their new purchase for the first time.

There is a trend for this to be captured on video and upload to YouTube

Engineered packaging: Packaging that has been designed and engineered to maximise efficiency and performance. This includes considering all aspects of the storage, picking and packing process, marketing, materials, aesthetic design and logistics. The package must sell and protect the product, while maintaining an efficient, cost-effective process cycle

Bespoke packaging:

Boxes, cartons, sleeves, void fill and tape designed specifically for a retail client, to protect specific products, maximise operational efficiency and align with the brand.

Off-the-shelf packaging:

Boxes and cartons purchased from a supplier from an existing range. So unbranded and not always the right size and style for the products being transported.

Corrugated cardboard fluting grade:

Corrugated cardboard is made up of a variety of flutes and liners and these are graded by weight and thickness

Edge crush test:

A corrugated board strength test of vertical crush resistance
Grammage - Weight of paper specified as g/m² (grams per square metre)

Fluting profile:

The shape of the corrugations

FSC Certified paper/cardboard:

An eco-friendly paper made from virgin tree fibres from a well-managed forest.



Contact Smurfit Kappa for more information:
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