

MARKETING ON THE SHELF EXACTLY HOW IN CONTROL ARE YOU?

00: Introduction

In the first of our Smurfit Kappa papers, we highlight a significant opportunity being missed by brands fighting for shopper attention and market share in Europe's highly competitive supermarkets. An opportunity estimated as a multi-million euro channel available to brand owners.

Although the overwhelming majority of purchase decisions are made by shoppers in-store, brands can often fail to seize upon the powerful marketing opportunity this generates. In particular, many are missing out on the growing trend towards Shelf-Ready Packaging as a way to influence shoppers directly at the point-of-purchase, where most decisions are made.

Here we explore the reasons why.

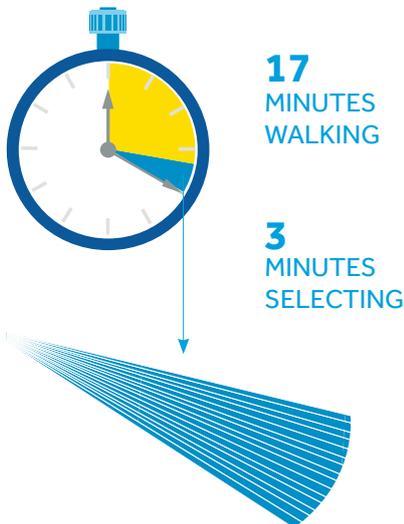
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01:

A multi-million euro missed opportunity

Time is of the essence for shoppers – and for brands. With shoppers making more frequent, but shorter, visits to stores, the window of brand influence on their purchasing decisions is shrinking. Shelf-Ready Packaging is an effective way of maximising the opportunity to influence these decisions where they happen and matter most – at the shelf.

AVERAGE SHOPPING TRIP



ON AVERAGE PEOPLE MAKE 15 PURCHASES PER VISIT, WHICH WORKS OUT AT ONLY 12 SECONDS SEARCHING FOR AND SELECTING YOUR BRAND.

Shoppers make quick decisions. The average shopping trip takes 20 minutes – 17 minutes to walk around and three minutes to search and select. On average, people make 15 purchases per visit, which works out at 12 seconds to search and select each one.¹

Unsurprisingly, a lot of this is done either subconsciously or at speed, with shoppers reacting instantly to what they see in front of them. In-store navigation is largely influenced by shapes and colours; visual disruptions to the shoppers' line of sight which attracts them to particular categories and products.

The shopping environment can sometimes be cluttered or over-complicated, meaning shoppers use cues such as familiar brands or pricing displays to shortcut the complexity.

The shopper journey in 2014 is an increasingly complex one. There is a strong move away from 'stock-up shopping' to 'top-up shopping', with more quick trips, often to convenience stores. More than 80% of shoppers now travel less than a mile to their local shop, with 57% of those trips being made on foot.²

Online research, purchase and home delivery is also playing an ever more prominent role, fuelled by the advent of smartphones, apps and online vouchers. To put it into context, UK supermarket Waitrose reported a 40% increase in online sales from 2013-14 and orders from tablets have risen from 20% of all orders to 26.5%.³



MOVE AWAY FROM STOCK-UP SHOPPING TO TOP-UP SHOPPING.

01

ATTENTION

Marketers have to work a lot harder to get shoppers' attention in-store.

"NO MATTER HOW MUCH MARKETING BUDGET YOU SPEND ABOVE THE LINE, IT'S WHAT'S IN-STORE THAT COUNTS."⁴

The net result is that marketers have to work a lot harder to get shoppers' attention in-store and need to use all the tools at their disposal, right up to the point-of-purchase at the shelf. In-store communications, as part of overall shopper marketing strategies, are growing in importance.

Yet, despite this, most marketers are not utilising all of the marketing opportunities available. The key area where brand decisions are made by the shopper - the supermarket shelf - has traditionally been one of the most overlooked areas of marketing.



SHOPPER BEHAVIOUR IN 2014

01

DIFFERENTIATION

Brands need to use every means at their disposal to differentiate themselves at the shelf.

Shelf-Ready Packaging (SRP) - products delivered to a retailer in a ready-to-sell, merchandised unit - is an area of growing importance across the globe in the battle for the shopper's attention.

SRP's origins were in saving in-store logistics costs, as a way of getting the product from delivery to shelf as efficiently as possible and it first gained popularity with discount supermarkets. Using the right skills, processes and technology, however, more marketers can now take advantage of the fact that, in tests, the right packaging solution is noticed by up to 76% more shoppers.⁵

Despite these findings, many brands don't take the opportunity to help navigate and disrupt shopper behaviour and to reinforce brand messages at the point of decision.

Given the increased competition in the retail market, one would think that brands occupying our supermarket aisles would be using every last centimetre of space to convince shoppers to choose their brand over a competitor's.

Brand directors, quite rightly, spend huge amounts of time and energy on the actual packaging of their product - the so-called primary pack. Yet, in a busy store environment, we estimate that it can account for as little as 60% of what the shopper sees.⁶

The remainder of the in-store packaging or display is often either out of their control or they are not engaged in its development, for reasons we will explore in this paper.



IN A BUSY STORE ENVIRONMENT, THE SHOPPER MAY ONLY BE SEEING 60% OF YOUR PRIMARY PACKAGING.⁶

01

EXPLORATION

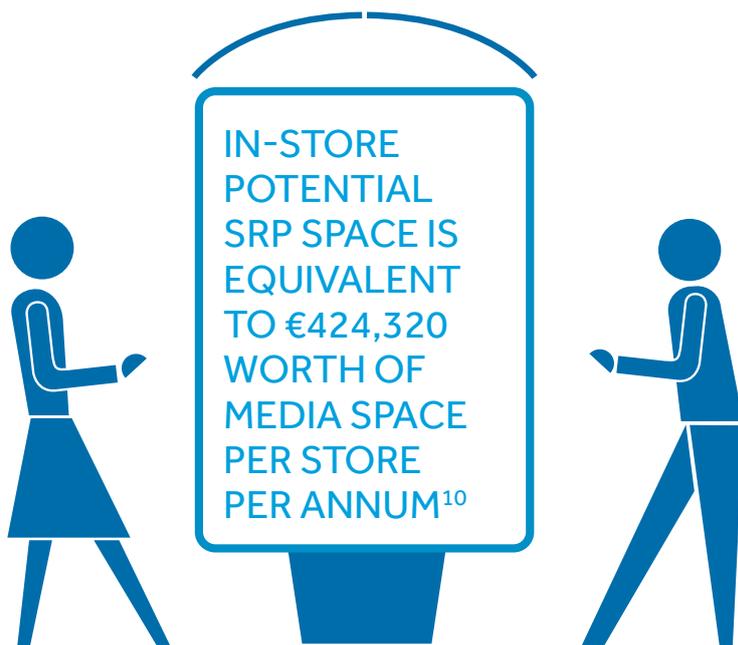
There is a need to explore new ways of attracting shoppers' attention and influencing their purchasing decisions.

In today's highly competitive retail environment, who would be happy to relinquish control of up to 40%⁷ of how their brand message is presented to the shopper to a channel that traditionally focuses on delivering logistics, rather than sales?

In a typical European supermarket, the space available for brands to market to shoppers at the point-of-purchase through Shelf-Ready Packaging can be up to 125 square metres per store.⁸

In any other medium, that would be regarded as a significant marketing channel with brands competing for space. If one compares it to the cost of a typical 6-sheet poster site (2.16 square metres)⁹, for example, in advertising terms that is the equivalent of €35,360¹⁰ of additional marketing per store each month, or €424,320 annually. That adds up to a multi-million euro marketing opportunity across European markets.

In a more complex retail world where marketers have to work even harder to compete for shoppers' attention, this space represents a sizeable opportunity. Yet it largely remains one of the most underutilised parts of the marketing mix and one which still rarely makes it onto the priority list of most brand directors. In reality, it is one of the last areas in-store that offers new marketing opportunities at the point-of-purchase.



02:

Shopper marketing in a fragmented world

How shoppers shop is changing. Shorter, more frequent, less brand- and store-loyal shopping trips are growing in importance. Disrupting and interrupting these short, intense shopper trips with meaningful messages is critical for brand success in-store.



SHOPPERS ARE USING AN INCREASING VARIETY OF SOURCES AND RESOURCES TO RESEARCH AND PLAN PURCHASES.

The global retail marketplace is increasingly fragmented, with more diverse and challenging opportunities to engage the shopper. The shopper is ever more difficult to reach, is overloaded with information and has a shorter attention span with far more opportunities to switch buying habits, whether in-store, between stores, online or offline.

The past few years have seen an increase in the frequency of shopping, with a resulting trend towards smaller baskets. Urbanisation has led to consumers placing more importance on convenience. This has spawned a greater variety of store formats: smaller high-street outlets alongside fewer, big, out-of-town formats, a trend also reflected in the plans of larger retailers.

Greater competition for the shopper wallet has also come from new types of retailers expanding into new markets, in particular the discount supermarkets. Led by the likes of Aldi and Lidl, they bring a successful no-frills approach based around value, quality and choice, through a combination of fewer lines and lower prices. Their growth has been rapid, with the number of shoppers using Aldi or Lidl as their main store increasing from 5% in January 2012 to 12% in January 2014, when 51% of shoppers said they had used discounters in the previous month.¹¹

02

COMPETITION

Standing out from competing brands and own-brand products on the shelf is key.

"EVERYONE IS TRYING TO SHOUT LOUDER AND SHOUT HARDER."⁴

Alongside this, we have seen the growth in retailers' own-brands, both competing at the value end of the market, but also producing dedicated quality or product-specific ranges. Examples include Rewe's Bio range in Germany and Sainsbury's Taste the Difference in the UK. Last year, 22% of shoppers said they planned to buy more own-brand food and drink.¹²

This has encouraged the large chains to increasingly adopt 'clean-store' policies – reducing the number of branded displays – in order to better support their own brands. Marketers can also struggle to bring consistency to their brands in-store, working within different retail environments and policies on brand presentation.

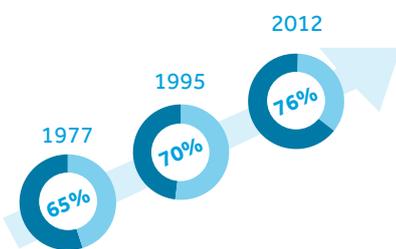
The combination of retailers focusing on own-brand products and brands competing with one another means there is a constant struggle for position and space, leaving Shelf-Ready Packaging as one of the few in-store channels left to a brand marketer who wants to compete for customers' attention.

The growth of internet shopping has created yet more options and a multi-channel shopping environment, with home delivery supplemented by more occasional, in-store shops and nearly half of all shoppers using pre-store media to research and plan their trip.¹³

02

FRAGMENTATION

Shoppers' paths to purchase are increasingly complicated and fragmentary.



IN-STORE PURCHASE
DECISION RATES

The rise in media fragmentation is well-documented. Digital and social channels are reshaping the shopper's path to purchase. The traditional, linear shopping model is no longer representative of how people live their multi-screen lives.

Yet in this highly fragmented retail environment, where shoppers have more channels to research or buy than ever before, research from POPAI (Point of Purchase Advertising International) shows their final purchasing decision is still often not made until they actually see a product in-store, on the shelf.

POPAI's analysis shows that the in-store decision rate has actually climbed in recent years - from 65% in 1977 to 70% in 1995 to 76% in 2012¹⁴ - reinforcing the continued importance of the so-called First Moment of Truth where shoppers decide to buy a particular brand, or switch to another, right at the point-of-purchase. This is supported by research carried out through a unique partnership between Smurfit Kappa and EyeSee which reveals that 86% of shoppers identify themselves as 'switchers'¹⁵ and are not loyal to any one product or brand.

"IT IS ONLY AT THIS MOMENT THAT YOU CAN BE SURE OF MAKING CONTACT WITH THE SHOPPER. EVERYWHERE ELSE ALONG AN INCREASINGLY COMPLEX PATH TO PURCHASE, THERE REMAINS A LARGE ELEMENT OF HOPE AND, EVEN THEN, YOU MAY BE REACHING THE CONSUMER, NOT THE ACTUAL SHOPPER. SOMETIMES THE TWO ARE THE SAME, BUT NOT ALWAYS."

Arco Berkenbosch, Vice President Marketing,
Research & Development, Smurfit Kappa

02

IDENTIFICATION

Send a clear signal to the shopper at every opportunity along their purchase path.

Contact, not content, is king

Marketers have a greater than ever need to reach the shopper at every possible opportunity, at each step of the fragmented, multi-channel shopper journey. In the retail world it is often contact, not content, that is king. Despite all the changes, however, one point that has remained consistent, whatever the store format, is the point-of-purchase in-store, making that 'First Moment of Truth' all the more critical.

Consultancy Shopperception talks about the emergence of three moments of truth. Increasingly they are seeing a merging of the different routes as shoppers jump between online and offline, creating their own, unique, shopper journeys.¹⁶

SHOPPERCEPTION'S THREE MOMENTS OF TRUTH¹⁶



ZERO

Online: The Zero Moment of Truth, where consumers open their laptops, pick up their smartphones or grab their tablets, and search to see if brands meet their needs.¹⁶



1st

In-store: The decision at the point-of-purchase.



2nd

At home with product: The experiential moment when the product is used at home for the first time.

03:

Brand assets or logistics?

Overlaps between consumer and trade marketing as well as logistics concerns have meant that brands often struggle to keep sight of the shopper at shelf level. However, innovations in technology and Shelf-Ready Packaging can ensure brands strike the right balance and optimize their messaging and the shopper experience.

SRP BALANCES THE DEMANDS OF BRAND, RETAIL MARKETING AND LOGISTICS.



Today's complex, multi-channel shopper environment makes reaching the shopper at every possible touch-point all the more important. The ultimate marketing ambition of an integrated, holistic, 360° marketing campaign takes on even greater significance.

Occasionally, this ambition is fully achieved but, more often than not, it falls at the final hurdle – the shelf.

The lost shopper

A key challenge to 360° integration is that ownership for communicating with the shopper can sometimes be divorced from the heart of brand marketing activities. In almost every organisation, the ownership for communication with the consumer lies with brand marketing. But the closer one gets to the retail environment, the more responsibilities diverge. Trade marketing often takes ownership of the retail relationship and, with it, core elements of the shop presence, including Shelf-Ready Packaging. The sales channel can take ownership of special, in-store promotions. This makes the ambition of integrated 360° marketing more challenging to achieve.

And where is the shopper in all of this? Mass-marketing brand communication is aimed at consumers at large. Sometimes the shopper and the consumer are one of the same, but not always. When consumers are in shopper mode, they are in a very different mind-set – often fast and focused with a clear mission to get the shop done as quickly and as painlessly as possible.

So it is not surprising that communications with the shopper can often lack focus, in an environment where up to 40% of brand assets in-store are led more by logistics decisions than by marketing.¹⁷

There are opportunities missed to reinforce brand messages, announce latest promotions, engage consumers with new technologies and disrupt normal shopping patterns, all in a way which focuses on the shopper mind-set, rather than consumers at large.

03

SIMPLIFICATION

Shelf-Ready Packaging takes the complexity out of the logistics, brand and marketing equation.

The “logistics thing”

According to the First Moment of Truth, the primary opportunity is right on the shelf – literally in front of the shoppers’ eyes, where 76% of decisions are made.

So why don’t our shopping aisles look as branded and animated as any other advertising or marketing media?

Because of the way that Shelf-Ready Packaging has developed, it is still viewed as a “logistics thing” and simply doesn’t cross the radar of many marketing directors. It requires more involvement of multiple stakeholders internally and, whilst technology has changed this, there is still an out-of-date perception that production timescales often don’t fit with those of marketing campaigns, which can change even close to launch. This can make marketers more risk averse or simply put on-shelf marketing into the “too difficult” box.

Others are unclear how to use it as part of their overall marketing strategy: how it aids discovery, navigation, helps convince people to buy, disrupts their usual shopping patterns, provides consistency and reinforces brand perceptions.

Until recently, there hasn’t been the ability for marketers to test and measure the potential impact of a more branded shelf-presence, easily and cost-effectively. Even now, the evidence often relies on a live, in-store trial, after the packaging has already been created.

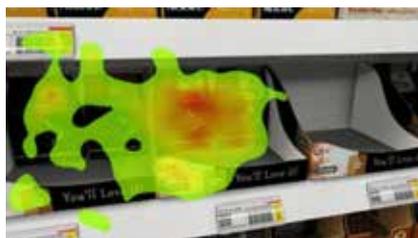
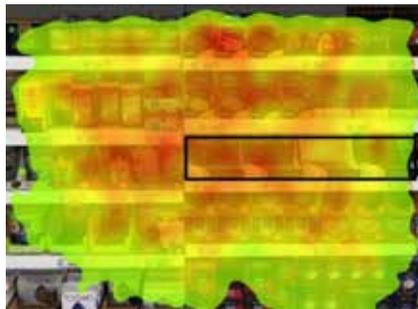
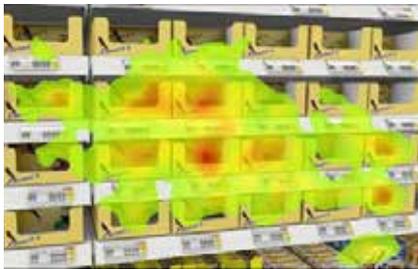
Without clearly articulated, proven benefits to the brand, and therefore sales, there is a danger that on-shelf marketing is simply viewed as adding more complexity and cost to the supply chain without clear, quantifiable benefits.

Yet technology has advanced to the point where one can evaluate and prove the impact ahead of putting even test products in store – giving marketers the ability to make it right before making it real.

04:

If marketers took control...

Brand directors can now use powerful technology to evaluate, measure and validate their on-shelf shopper marketing strategies in test conditions, delivering optimized Shelf-Ready Packaging marketing that disrupts and engages busy shoppers.



ONLINE EYE-TRACKING TECHNOLOGY IDENTIFIES WHERE SHOPPERS' ATTENTION IS DRAWN TO ON THE SHELF.

So, what if marketers were to take control of this multi-million euro channel?

Done properly, marketing on the shelf would be completely integrated into their wider marketing activities, with a clear brief based on an integrated, well-defined shopper marketing strategy.

Ownership and responsibility would be held at brand marketing level, with marketing on the shelf, to the shopper as well as the consumer, considered at the very outset of the brand journey.

Marketing on the shelf would be:

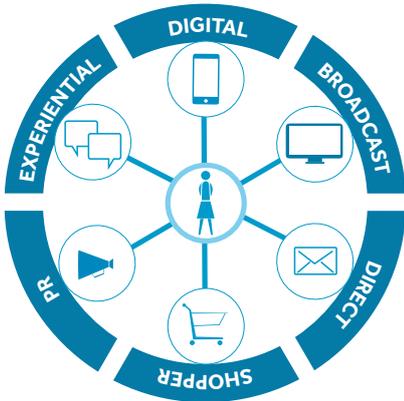
1. Consistent, genuinely holistic and reflective of current brand messages, with a clear call to action to the shopper. It would reinforce brand awareness right at the point-of-purchase, where the overwhelming majority of decisions are made.
2. Flexible enough to be adapted, at speed, to the latest campaign and brand messaging, it would be used to add important messages to the primary pack, which often requires long lead times to change.
3. It would add a call to action and use new technology to enhance and inform the shopper experience.

Providing secondary messaging to the shopper, it would help the shopper to quickly find their favourite flavour or alert them to the latest brand campaign or promotion.

If marketers took control, the packaging industry would be making the most of technology developed outside of the sector. Exponential growth in smartphone popularity has allowed for a more interactive shopping experience for consumers. Technologies such as QR codes – used by over 3 million people in Britain¹⁸ – could be incorporated into Shelf-Ready Packaging to deepen the engagement between brands and their customers, while making the overall experience a more immersive one for shoppers.

It would be measured as part of the system Smurfit Kappa has developed: from marketing expertise and insights, to creating new brand solutions, visualising it in-store using our virtual reality lab and demonstrating its effectiveness ahead of time using online eye-tracking.

04



360° MARKETING APPROACH

3D visualisation technology allows brand owners to view product mock ups in a variety of real life shopper situations before production decisions are finalised.

Much of this is now possible due to smart technology which enables brand owners to test and understand the impact of Shelf-Ready Packaging on shoppers by visualising it on a virtual supermarket shelf and collating eye-tracking results via a webcam. This makes it possible to validate the effectiveness of different packaging designs, offering brand owners a flexible environment to prove the effectiveness of different shopper marketing strategies before they are created and brought to shelf.

From brief to finished design in four weeks (including shopper testing)

New, online testing technologies, as well as new printing technologies, allow this channel to be planned and moved as quickly as, if not more quickly than, other parts of the marketing mix – from brief to finished design within four weeks, including a period of online shopper testing.

This revolutionises the use of Shelf-Ready Packaging for marketers. Rather than being planned weeks and months ahead, it means that in-store marketing can be kept in step with the latest brand activity, as well as being used to highlight topical campaign promotions at short notice. This could potentially double the number of campaigns run during the course of a year.

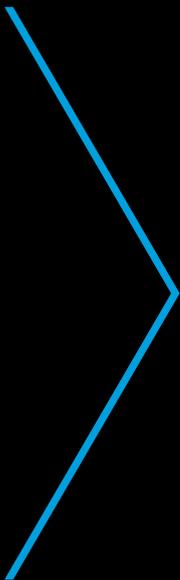
In a complex world of fragmented media and shopper channels, speed to market and flexibility are more critical than ever, as well as the ability to make it right first time. Brand directors can now evaluate different design options in test conditions, based on shopper insight and in a way which is measureable and fast to implement.

“THE REALITY IS THAT THE VISION OF THE FUTURE IS HERE NOW. FROM INSIGHTS TO MEASUREMENT, WE CAN DO IN WEEKS WHAT USED TO TAKE BRANDS MONTHS, INCLUDING ALL THE TESTING BRAND OWNERS NEED”

Arco Berkenbosch, Vice President Marketing, Research & Development, Smurfit Kappa

The future is one of certainty, a future where brands can make it right before they make it real and a world where one can experiment without risk and at speed.





To find out more about how Smurfit Kappa can help your brand, please contact us at:

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Twitter: [@smurfitkappa](https://twitter.com/smurfitkappa)

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- 5 Disruptive shelf-ready packaging spotted by 76% more shoppers. Smurfit Kappa research, 2014
- 6 This figure is based on primary research undertaken by Smurfit Kappa using its proprietary 'Shelf Viewer' technology, which analyses images from more than 22,000 store shelves worldwide. The research found that secondary-packaging typically obscures between 10%-40% of the surface area of primary packaging products
- 7 Ibid
- 8 Figure from primary research undertaken by Smurfit Kappa on the in-store packaging landscape
- 9 A 6 sheet poster (measuring 1800mm x 1200mm) has been used for the comparison owing to its typical use as a marketing medium
- 10 Figure based on the average cost of a 6 sheet poster for a fortnight of activity in UK, France and Belgium, at €282 per poster; €130.56m² (fortnightly) / €282.88m² (monthly). Figures are accurate as of 30.10.14.
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