

THE PATH TO INNOVATION

TALKING THE TALK, BUT NOT WALKING THE WALK...

BY PETER CLARKE

In the world of structural innovation it is far easier to talk about innovating than it is to actually innovate. Large CPG companies are recognizing the need for structural packaging innovation but face many road blocks to actually implement it. The primary issue may very well be that their manufacturing assets are also their liabilities.

The need for innovation

In today's day and age, consumers expect more from their brands and product offerings. People's lives are faster-paced and they need solutions to fit their lifestyles. Since consumers are increasingly faced with overload from more than 55,000 brands on shelf, compared to just 15,000 brands in 1991, companies are going to great lengths to vie for attention, provide brand value and create a competitive point of difference.

Marketers are awakening to the potential for packaging to play a role in the marketing mix, beyond containment and display. Packaging has the ability to engage all of the senses due to its aesthetic, tangible and functional nature. For many products, packaging can be a lasting brand ambassador throughout the product's use and create desirable and memorable brand experiences. Companies are now exploring how packaging can create new usage occasions and/or drive new product formulations.

The barriers to innovation

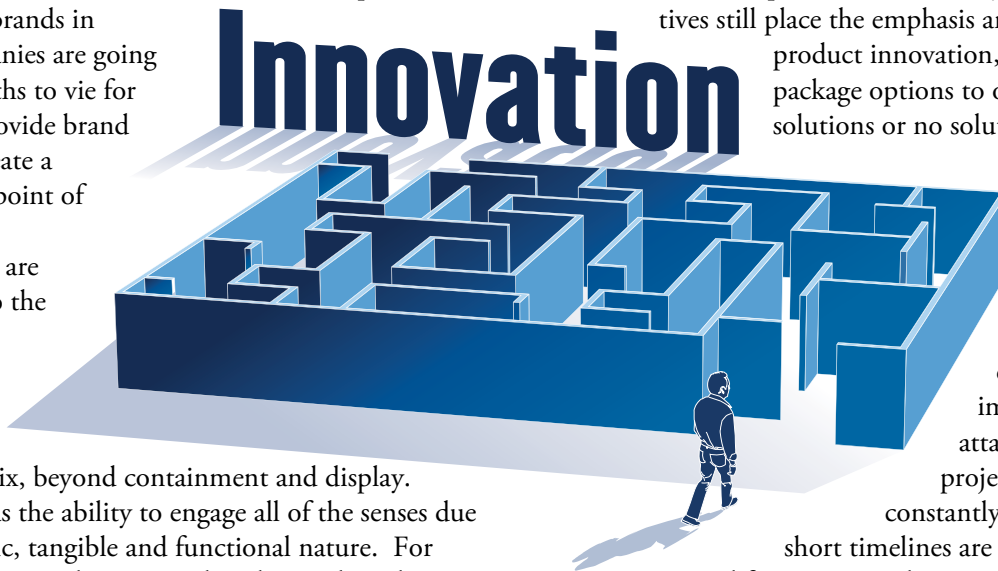
Although there is the need and desire to innovate,

many obstacles exist which may restrict success. One is the fact that structural innovation is not often done and most companies have limited or no experience with it. For many, their packaging is a common package form utilizing common equipment.

Consequently, marketers are often challenged to innovate within unrealistic budgets and timelines. The realities of packaging equipment procurement, setup and qualification timelines are often not anticipated. It is expensive and time consuming to set up an efficient packaging line; sometimes this is much more extensive than product production equipment. It requires more factory space and more equipment so as to be able to form, fill, seal and pack. Unfortunately, many initiatives still place the emphasis and priority on product innovation, relegating the package options to off-the-shelf solutions or no solution at all.

Adding to the complexity is the short tenure of brand marketers. It is often difficult or impossible to attain success when project leadership is constantly changing and/or

short timelines are dictated by the need for success within one's term. These established tenures may work for product innovation but they don't always work for packaging innovation. There is also lack of accurate predictors for packaging return on investment (ROI), making it difficult for companies to justify costs to upper management. New packaging is often implemented along with other marketing strategies making it difficult to measure its impact in



isolation. Furthermore, forecast modeling based on use testing is often inaccurate as consumers may have no or limited context for evaluation. Often, long term packaging benefits aren't understood and the deeper emotional connections aren't manifested within the limited duration of a use test. Test markets may be the best way to predict ROI, but can only happen with manufactured products. Test markets can be time consuming, costly and are often not pursued out of fear of prematurely sharing your idea with your competition.

Your assets may be your liability

The biggest barrier of all may be cost. It is cheap to keep making what you already make or what the world commonly makes. In part, profits are derived from manufacturing efficiencies which generate low cost of goods. Availability of materials, standardized equipment, scale and speed of manufacturing, drive costs down.

This problem is that the efficiencies that enable low cost of goods may actually encumber change. Once a company builds up its manufacturing assets and productivity, change becomes difficult to achieve. Most equipment is specific to a particular method of manufacturing and lacks adjustability. Furthermore, a company cannot just discard existing equipment and invest in millions of dollars of new equipment for each new packaging concept.

Change Mindsets and Reset Expectations

My first recommendation is to change a company's mindset and stop thinking of packaging as an expense but an investment. For many companies, packaging may be the only untapped vehicle for differentiation and value-added. In the world of commodity products, unperceivable competitive product benefits, or over proliferation of products, packaging innovation may be essential in order to build market share.

Along with changing one's mindset, expectations also need to be reset. Packaging innovation may take longer and cost more than product innovation. The packaging cost of goods most likely will be more expensive than a common packaging format. It will take time, and commitment to create the efficiencies necessary to reduce the cost of goods. Appropriate timelines, budgets, and ROI expectations need to be established accordingly. Companies need to allow for experimentation and the necessary trial and error associated with doing something for the first time. They need to further forecast and strategize using broader ROI timetables. If done right,

meaning the packaging innovation has been thoroughly tested with consumers and aligns with consumer trends, gaps in the marketplace, and the business potential has been measured, the innovation should stand the test of time, increase volume and profitability, allowing for scale and efficiencies to be obtained.

Avoid reactive, short sighted initiatives

Save your time and money for the long term, "bigger bang for your buck" packaging opportunities. Too much money is wasted on projects that are doomed to fail due to false expectations, contradictory objectives, and/or insufficient budgets and timelines. It could very well be possible to offset the short term margin deficit of initially high cost of goods with money saved from avoiding ill-fated projects.

Fine tune financials accordingly

To cover the added costs of package innovation, there are often opportunities to cost reduce the product or package less product and still be consumer acceptable. Others offset the cost of innovation with other savings like improvements in manufacturing, distribution, shelf pack out, etc. Are there more efficient ways to spend Marketing dollars? Or simply, have you offered your consumer a benefit that they are willing to pay more for?

Learn from others

The standard packaging forms we have today weren't standard in the beginning. The first glass bottle, metal can, paperboard box, plastic bottle and tray weren't cheap. It took years of investment to optimize and standardize those formats. These examples are proof that it can be done. Your packaging concept can return on investment if it satisfies a lasting product and consumer need, invested in scale, and optimized overtime. The large flat panel TVs were hardly affordable when first launched, but offered a consumer benefit worth the added cost. Their format however, proved to be the ultimate desired solution for consumers. Limited at first as a luxury item for an exclusive audience; yet over time, with increased investment and demand, the cost of these items become more accessible.

Leverage an internal champion

It definitely helps to have an entrepreneurial mindset. It further helps if you have a courageous leader with the authority to commit. It has been said that the Sherwin Williams Twist and Pour Paint Container was champi-

oned by the CEO. It was through his leadership that Sherwin-Williams revolutionized paint packaging. This was no insignificant feat if you consider all of the paint shakers within each retail outlet that needed to be altered to accommodate the new square configuration. If you have commitment from the top it sure makes things easier.

Walk the Talk

Talk is cheap but innovation takes courage and commitment. If companies wish to stay ahead of the competition they must pursue new ways of doing things. There often isn't a "silver bullet" solution, immediately available, that is cheap to make and earns market share. "Cheap to make" is most likely what you and your competitors are already making. Creating superior things people want and can afford that you can ultimately make for a profit is what you should strive for. Packaging innovation is no longer just about driving costs

out but identifying benefits people are willing to pay for.



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