

# EXPORT GUIDE

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## Food Packaging

**Global Trends and Developments  
for Local Manufacturers to Consider**



### GLOBAL PERSPECTIVE

With the decline in Gross Domestic Product (GDP) growth globally, reduced consumer spending and confidence have had an impact on year to year growth of retail food packaging volume sales.

However, despite the global economy still experiencing the consequences of the financial crisis, food packaging volumes have continued to grow, reaching 1.8 trillion units in 2012, with a predicted 62 billion unit increase for 2013 as stated by *Euromonitor International*.

Consumers still consider most of their food products as primary necessities. With GDP growth forecasted to accelerate again over 2013-2017, this trend is unlikely to experience any significant change.

However, consumers will undoubtedly become more cautious and savvy in choosing their food products. Packaging will therefore continue to be a major component of a company's successful marketing strategy, fostered by innovation.

## GLOBAL RETAIL FOOD PACKAGING 2013 1,870 Billion Units

**Flexible Packaging**  
**1,090** billion units

**Rigid Plastic Packaging**  
**351** billion units

**Paper Based Containers**  
**169** billion units

**Liquid Cartons**  
**130** billion units

**Metal Packaging**  
**77** billion units

**Glass Packaging**  
**50** billion units

**Other Packaging**  
**2** billion units

*“Over the period 2013 to 2017, flexible packaging will also see the largest volume growth, with a total of 192 million extra units”*



The diagram above illustrates a detailed breakdown of retail food packaging in 2013. According to *Euromonitor International*, flexible packaging remains the largest and most common category of packaging used and accounted for 1,090 billion units which is represented by approximately 59% of total packaging in the global retail food industry.

With the bulk of flexible packaging being relatively inexpensive to produce, these packaging types are widely used in confectionery and often in the form of small pack sizes for dried processed food. Over the period 2013 to 2017, flexible packaging will also see the largest volume growth, with a total of 192 million extra units.

Other key flexible packaging types include pouches, which are a particularly dynamic category. Although pouches account for only 2% of flexible packaging, it comes very high up in percentage growth terms within total retail packaging in 2012, with the plastic pouch ranking second and the aluminium/plastic version also being among the top 10. Plastic pouches grew by 7% over 2012. Demand for this pack type increased particularly in foods such as dried processed goods, sauces, confectionery and snacks, being often perceived by shoppers as offering value for money.

This was then followed by rigid plastic packaging which accounted for 10% or 351 billion units. Paper based packaging according to *Euromonitor* is also commonly used due to those eco-friendly consumers who are interested in purchasing products that are environmentally friendly. This category accounted for approximately 7% or 169 billion units of global retail food packaging with all other categories accounting for less than 15%.

The functions of packaging are crucial to the success and life span of any product. These functions are product specific as well as business oriented in terms of product branding and awareness.

With constant innovation and development occurring globally in the packaging industry, companies must ensure that their packaging are able to achieve the following:

**Protection and Containment Function**

**Storage and Transportation Function**

**Sales and Promotion Function.**

### Protection and Containment Function

Before a product can leave the manufacturer's warehouse, thorough research and testing must be conducted to ensure that the packaging materials used to contain the product is capable of protecting it from various elements. The protective function of packaging essentially involves protecting the contents from the environment and vice versa.

The inward protective function is intended to ensure full retention of the value of the packaged good in terms of product quality, freshness, and safety until it reaches the hands of the customer. The packaging is thus intended to protect the goods from loss, damage and theft. The good may also require protection from climatic conditions, such as temperature, humidity, precipitation and solar radiation.

Although protection and containment is a primary function of packaging, manufacturers sometimes fail to evaluate the strength and stability of the packaging materials used. Companies need to pay particular attention to their various export markets and/or markets of interest to determine the efficiency of the packaging materials and identify any changes or modifications necessary. This can prevent costly mistakes in the long run.

## Storage and Transportation Function

Most manufacturers design products specifically with the end user in mind, however, packaging plays an important role before the product reaches the supermarket shelves and by extension the customer. The importance of taking a “total cost” perspective is very important. There are often trade-offs between packaging, transportation and quality that companies need to consider. One such example is how a company might save money on reducing the amount of packaging material it uses, but may incur a higher costs in damaged products due to the delivery process. Companies need to take a holistic look at transportation and its effect on packaging for both the local and international markets.



Packaging thus has a crucial impact on the efficiency of transport, handling and storage of goods. Manufacturers must pay specific attention when designing tertiary packaging for their products. Tertiary packaging is typically not seen by consumers since it is usually removed by retailers before products are displayed for sale. Examples of tertiary packaging might include brown cardboard boxes, wood pallets and shrink wrap. The shape and strength of packages should be designed to be easily

handled and to permit space saving storage and stowage. For the local market where handling may be entirely or partially manual, packages must be easy to lift and must be of a suitably low mass. Heavy goods must be accommodated in packages which are well suited to mechanical handling. Such items of cargo must be “forkliftable” and be designed with convenient load-bearing lifting points for the lifting gear, with these points being specially marked where necessary.

Many manufacturers do not place significant emphasis on packaging with respect to storage and transportation. Their main focus for packaging is to capture the attention of the final consumer. However, if a company fails to properly package their products for storage and transportation, this can lead to many costly mistakes.

## Sales and Promotion Function

Companies are paying particular attention on how they utilize their advertising budget on viral advertising campaigns to capture the attention of potential customers. However, no fast moving consumer good company can deny that the greatest advert for any product is the packaging that a customer sees on the supermarket shelves when deciding to make a purchase. As such, no matter how vast the advertising budget available, the brands that succeed are those that recognise the importance of packaging for that on-shelf consumer impact. For new consumers, the product and the packaging are viewed as the same. During the actual purchase, the package portrays the overall perception and provides the necessary information to assist the customer to make an informed decision. Furthermore, the package is the product until the actual product is consumed and the package is recycled.

***Euromonitor International* identified 3 pillars of packaging that have shaped how companies package their products for the everyday consumer, these pillars are as follows:**

**Convenience**

**Value for Money**

**Shelf Presence**

	<b>CONVENIENCE</b>	<b>VALUE FOR MONEY</b>	<b>SHELF PRESENCE</b>
	Portability	Economy Sizes	Pack Type Differentiation
	Portion Sizing	Economy Pack Types	Graphic Design
	Ease of Handling	Pack Re-Usability	Pack Shaping
Meal Preparation			

## Convenience

As society continues to evolve, individuals are also adapting to the changes which have resulted in changing consumption habits, hectic life styles and the demand for convenience. This has led to the increasing demand for “on the go” products and smaller package sizes.

An example of a product that embodies this feature of packaging is bottled yogurts. The product is designed to meet the hectic lifestyles of customers without the inconvenience of having a spoon. Traditionally yogurts were packaged in a cup or bowl but this lacked the convenience element that customers are constantly searching for. This sparked the idea and innovation of packaging yogurts in a bottle and thus eliminating the customer pain of having a spoon to enjoy the product. Similarly, cereal as well as instant soup has evolved over the years moving from the traditional packs and boxes to ready to use single serve bowls. This as well factors in the convenience element that customers on the go are constantly demanding as they can enjoy their cereal and/or soup without the hassle of finding a bowl.



Most fast moving consumer goods are fuelling consumers demand for convenience with single serve packaging. This is evident as more consumers eat on the go and growth continues to be seen in this category. This trend is twofold as it is including a craving for convenience and the demand for an easier way to control portion sizes. This is very important as the number of health conscious customers is increasing and calorie counting is evident. Individuals would like to indulge without over indulging and single serve packaging can assist with this. Examples of single served products include granola bars, cakes, coffee and even individually wrapped chocolates.

Convenience is not only restricted to packaging, but also affects closures. Both the aging and younger population are two of the most important target groups for manufacturers of closures. As such, it is important for closures to be easy to open, benefiting consumers with lower wrist strength. This is a benefit to all consumers and as such, will help to build brand loyalty.

According to *Euromonitor International*, plastic closures have shown the strongest performance through to 2009 built by the versatility of the plastic screw closure specified for a multitude of products and packaging applications, with 93% of global plastic screw closure sales made in the food and beverage sector.



Many manufacturers are leveraging on the convenience and cost associated with tetra packaging and utilizing plastic screw closures has been evident in both the local and international market on products such as milk, juices and a variety of sauces and condiments.

Apart from the ease of opening and closing products with plastic closures, it also reduces the cost associated with shipping and transporting goods when compared to glass packaging.

## Value for Money

Consumers worldwide continued to attach the importance to value for money, as a consequence of the lingering effects of the global economic crisis. Packaging innovation has to fit into this rationale in staple categories such as sauces and spreads among others, be it with value sizes or smaller, more affordable formats.

The growth of smaller or even single households is a new and very important target group across the world. therefore, the needs of these smaller households are different and brand owners are increasingly using pack sizes to reach out to this consumer group. Such households may require smaller portion sizes of food items as they may lack the storage space for bulk purchases and may not consume enough of the product before it spoils. Similarly, smaller households will require less household care products. Manufacturers have started to react to this change in household sizes and increased demand for smaller packaged products.

Another avenue to consider in providing customers with value for money is the need for reusable and refillable containers and by extension, reducing source reduction. This has proven very effective in the food and beverage sector. One such example is in the butter and margarine product lines which are packaged in small containers that can be re-used when the product is consumed. The additional benefit that companies receive from having their branded packaging in the homes of customers is that it provides a nostalgic feeling and may bring about repeat purchases. This also directly impacts on the carbon footprint of companies which can be leveraged to attract those environmentally friendly customers.

## Shelf Presence

The third pillar of innovation for food packaging aims to raise a product or brand awareness and visibility on the shelf. Standing out through packaging has become more important in mature regions, such as Western Europe and North America where shelf space is a valuable commodity and competition is high with numerous competing brands.

Distinguishing products from one another becomes the biggest task for the consumer. A marketing campaign is seen as only a small tool used by the manufacturers to sell their product. At the same time, packaging increasingly becomes one of the most important tools in brand promotion, with consumers eager for this type of innovation. However, to effectively design a package that will attract a customer, companies need to clearly identify their targeted segments. In this instance, market segmentation will drive this process in terms of the colours, shapes and even the functionality of the product.

The first thing a customer remembers about a brand may be its colour. For example Cadbury's Dairy Milk purple, Coca-Cola's red or Guinness's black and cream. However, companies must pay particular attention to the cultural elements associated with a country as this will have a significant impact of customers' willingness to purchase. One such example can be seen in Costa Rica and other Latin American countries where preference is given to bright coloured packaging such as green and yellow. However, in China yellow can be a dangerous colour as it is used to reference pornographic materials. For example, the term "yellow book" refers to pornographic pictures and graphics.

In addition, it is important for companies to observe the competition with the objective not to duplicate their design but rather, to stand out on the shelf and draw in the interest of customers, especially those who have never tried the product. One such example of this can be seen in the bottled water industry where the supermarket shelves are packed with numerous brands of water all packaged with similar bottle shapes. However, some companies have engaged in an innovative package design by changing the feel and look of bottled water to a premium design by designing a campaign bottle to attract customer's attention.

These three pillars identified by *Euromonitor International* will play a vital role in any organization to help shape and develop their product packaging to meet the ever changing needs of customers. The packaging of a product is serious business to say the least and local manufacturers need to engage in in-depth research and development. It is important to ensure that local manufacturers are on par with the latest trends and developments enabling them to grab hold of new opportunities as they arise and are not left in the dark.

## Green Packaging

The top global packaging trend is the use of green packaging. Although price remains a crucial factor in the decision making process in purchasing a product, sustainability and protection of the environment retains an important place in the hearts of many consumers. Consumers have had their confidence shaken and as such are looking for brands that build a feeling of trust and this has moved customers beyond the item with the cheapest price on the supermarket shelves. Consumers are now measuring value in the trust they have in the brand, in the story the brand can tell and how it fits into the consumer's ideals. A company that has a strong social responsibility and green message indicates to customers that focus is not only on the profits but also the company's social responsibility to the environment. Whilst legislation has been a key driver for environmentally positive packaging, often covert packaging changes; the coming years will see the consumer as the key stakeholder who needs to be satisfied. As consumers become more knowledgeable and concerned about the environment, the demand for environment-friendly packaging will increase.



One such example of this is Estee Lauder, a cosmetic company with a long term commitment to eco-friendly packaging. In 1991, the New York-based company released its Origins cosmetics line, which features environmentally friendly ingredients and packaging, plus a built-in recycling program. Estee Lauder's Corporate Social Responsibility Program strives for zero waste, defined as 100% efficiency of energy, material, and human resources. The company also joined the U.S. Environmental Protection Agency's Climate Leaders Program to further help quantify its carbon footprint. A popular example in Trinidad and Tobago is Dasani "Twist for good" campaign which utilizes 30% plant based materials and by extension reduces the bottle's carbon emissions by 25%. In Addition, Ramsaran Dairy Products a local manufacturer of juices and punches utilizes 100% paper based packaging that are fully recyclable.

## Conclusion

**Packaging is one of the most important elements of the marketing strategy of a product as it is one of the main factors other than price that will influence a customer to purchase a product that they have not previously tried. However, packaging goes beyond sales and promotion function and plays an imperative role in protection, transportation and stowage. It is imperative that companies are on trend with the ever changing needs of customers. According to *Euromonitor International*, the three pillars of packaging that are driving how companies design their packaging are convenience, value for money and shelf space. Trinidad and Tobago manufacturers need to engage in in-depth research and development. It is important to ensure that local manufacturers are on par with the latest trends and developments taking place around the world.**