

Shelf Not Ready

“A lot has been made of shelf ready packaging over the last couple of years, but despite the hoopla, one only has to walk down the aisles of any major Australian supermarket to see the impact of shelf ready to-date and for all it's worth, insignificant.” These opening remarks of **Krathyn White Editor of PKN** magazine when he addressed the members of Australian Institute of Packaging in Victoria in early May 2006 set the agenda for a very informative information exchange.

White contends that we are still shelf un-ready on the basis that less than 5% of shelved product is in a shipping system that constitutes shelf-ready, with the majority of product that is, actually being imported items.

Hard hitting remarks were the order of the evening with statements such as: -
“Ironically, if you want to see the best example of shelf-ready in action, head to your nearest Aldi Supermarket. Despite the un-aesthetic nature of Aldi's in-store presentation, the German discount supermarket chain is pipping Australian retailers at the shelf ready post with its own proprietary systems to ensure not only the last 100 metres, but the entire Aldi supply chain experience is one of low cost and high efficiency. Shelf ready constitutes an important part, but not the entirety, of what enables Aldi to drive cost out of its supply chain, passing savings onto customers and undercutting the Big Two.”

Kathryn reverted several times to the **AIP Shelf Ready Forum at AUSPACK '05** claiming it set what is the informational benchmark in terms of what's happening with shelf ready in an Australian context. However in his experience since then, not a lot has really changed.

Those not familiar with shelf ready [or similar terms] were enlightened thus:-

“The impetus for shelf ready is clearly cost related. Woolworths, for example, as Australia's largest grocery retailer, operates in a high-volume, low-margin field, with over half its outgoings in its supply chain, and half of these costs between the back door and shelves in its supermarkets.

Woolworths has a nine billion item per annum distribution task requiring, at store level, all items to be handled at least twice, with some a number of additional times. It comes down to the all-important last 100 metres, and shelf ready is seen as a key way of cutting out additional product handling, thereby reducing retailer costs, but at what cost to suppliers or products and, indeed, packaging?”

As is usually the case with retail, Australia is closely examining the standards and systems used in United Kingdom retail outlets like Tesco and Sainsbury, which measure gross profit on individual product lines as opposed to net store profit. Use is made of Roy Morgan research under the FMCG MAP (Marketing and Advertising Planner)

Shelf ready packaging is but one option retailers are exploring to reduce product handling and in terms of Woolworths, for example, there's a dozen or so different requirements concerning internal tray design guidelines (beyond the scope of this generalist discussion) all of which are designed to make things easier for Woolworths' shelf fillers and, of course, customers.

Woolworths, for example, has gone on the record to state that *"while product ranges will continue to be based on customer demand, Woolworths' buyers will increasingly consider the overall profitability of an individual product, with the cost of filling the shelf being an integral part of the profit equation."*

As buyers become increasingly aware of the cost of managing products from supplier to shelf, retail ready packaging and matching the number of primaries per shipper for a given product becomes a critical consideration.

White stated *"Anecdotally, Woolworths is the most advanced Australian retailer in terms of rolling out shelf ready, but log onto www.woolworths.com.au type in 'shelf ready' as a search term and see what it returns:----- **nothing.**"*

He went onto address shelf ready packaging options claiming that in terms of shelf ready packaging options from a tangible, on-shelf perspective, shelf ready solutions generally relate to corrugated carton board and fit into one of the following categories:

- * Multi-component corrugated shippers
- * Convertible corrugated shippers
- * Tray & shrink packs
- * Easy-open corrugated shippers.

Each of these offers different levels of presentation and protection for contents, and it needs to be remembered that any packaging changes to shelf ready need to fit in with differing shelf arrangements between retailers.

In terms of fresh fruit and vegetables, both Coles and Woolworths are rolling out their own shelf-ready systems, with Coles implementing an extensive advertising campaign with Lisa McCune extolling the virtues of Coles' shelf ready system, ensuring freshness from paddock-to-plate as well as a lot of other advertising psychobabble.

While plastic, re-useable crates seem to be the order of the day when it comes to providing a fresh produce shelf ready solution, corrugated cartons comprise the seemingly singular solution for just about every other aspect of shelf-ready. To this end, Amcor, for example, has focussed a lot of attention on carton performance in the supply chain, mapping myriad materials to be compatible with the vagaries of the distribution cycle, but it seems that for every positive, there's always a negative.

Shelf ready cartons with perforations, for example, start behind the eight ball as the compression strength of the fibreboard is significantly reduced. What we can say is that future development will have to address new styles and materials as well as the need to fully integrate development of primary and secondary packaging for performance in order to minimise cost.

Quoting **George Ganzenmuller, AIP National President**, who said *"nothing is sure except change when it comes to packaging."* White added; *"And oh how quickly things change"*

He related that about a year ago he was fortunate enough to take audience with a key management member from one of Australia's more significant packaging concerns. The manager in question detailed,[off the record of course,] how his employer had spent

considerable time, effort and resources examining a corrugated-based shelf ready system for a particular type of heartland beverage product for a major Australian grocery retail chain.

Although all tests proved the system the retailer in question decided on metal roll cages rather than corrugated carton board shipping systems proving once again, when it comes to packaging, nothing is certain except change.

Turning to challenges Krathyn said “ *Shelf ready packaging is hardly about corrugated cartons in isolation, with no regard for other packaging formats*” “ *To say so is short sighted and narrow minded, especially in light of things like the National Packaging Covenant and the general push towards limiting packaging waste across the board*”.

At Auspack '05 **Fibre King's Greg Windsor**, stated “*shelf ready packaging is about the whole supply chain and an issue which puts traditional notions of packaging under threat as well as the packaging machinery used to make these forms of packaging.*”

Machinery manufacturers basically cater for nine diverse product ranges, from fresh to manufactured, and while there's some overlap, the categories basically include:

- * Fruit & vegetables
- * Meat
- * Poultry
- * Dairy
- * Beverage
- * Household
- * Personal
- * Pharmaceuticals
- * Petrochemicals.

Products without stacking strength present a challenge for all players in shelf ready. Take the mixed pallet scenario increasingly favoured by retailers. How will these be stacked? What if retailers end up with heavy products, such as shippers of steel food cans, sitting atop shippers of much lighter products, such as tissues?

Shelf ready relies as much on customers speaking with machinery suppliers before making any sort of decision regarding shelf ready, but again quoting Greg Windsor “*the biggest challenges lie hidden in the uncertainty of shelf ready packaging*”

- * How many supermarket shelves will there be in a new order facility?
- * Why are the two major Australian retailers still evolving their needs while some international chains have shelf ready down pat?
- * How will the demands of shelf ready packaging, which essentially increases the amount of packaging required for products, balance waste reduction and reuse action contained in the National Packaging Covenant?

Without doubt, manufacturers are most affected in the retailer push to increase profits and streamline operations in light of shelf ready packaging. White, in a prepared statement, reiterated that at the AUSPACK '05 Shelf Ready Packaging Forum, **Golden**

Circle packaging manager **Ralph Moyle** had the task of presenting an overview of shelf ready implementation issues and challenges from the manufacturer's perspective.

It reads: -

"Challenge" is too soft a word to describe Moyle's critical path analyses of an "18 month journey after an elusive target", and the trials and tribulations of a packaging technologist in trying to cope with some "appalling demands". .

As if getting the answer to his basic question "where do we get the value?" isn't frustrating enough, Moyle is often faced with product managers and retail buyers meeting and deciding on packaging outcomes without his input.

When you consider Golden Circle Canneries has 28 primary packs coming off 22 packaging lines, all of which retailers have now put under threat, you start to have empathy with the manufacturers. However, our dominant domestic retailers are powerful, and if Australian manufacturers aren't able to comply with their wishes, they'll simply go off-shore and find a supplier that can.

The final out-turn of product doesn't only impact on the packaging aspect of a manufacturer's business, as it can give untrue indicators of competence and quality, but as Moyle states, the demands of shelf ready packaging on a company like Golden Circle also affects its internal sales and marketing decisions, together with warehousing utilisation and carrier selection.

To change packaging lines and containment units there's likely to be a high capital injection needed with ongoing purchasing and unknown line efficiency issues, particularly as to the future capabilities of what manufacturers currently have installed.

More than anything, shelf ready packaging has significant ability to impact on manufacturer success."

To have an address by a well informed, independent, and astute observer of the Packaging Industry is just one of the benefits of the networking opportunities membership of Australian Institute of Packaging gives.

The address by Mr White shows how difficult negotiations in the market place can be particularly in a virtual duopoly. Virtual duopoly is present in other parts of the supply chain and there seems to be no desire by Governments or regulators to become involved, so vigilance or the Latin phrase *Caveat Venditor* would seem to be something to add to your lexicon along with *Caveat Emptor* which is the other side of the equation.

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