Executive Insights

Is It Time for Brand Owners To Think Beyond Omnichannel Packaging?

Product packaging has always been an important component of overall marketing strategy for consumer brands — from toothpaste and diapers to cosmetics and foodstuffs. Until relatively recently, most consumer products were sold mainly through brick-and-mortar stores, where the product and product packaging must win the attention of shoppers at the point of purchase. But as more and more consumers become comfortable with online purchasing, they are adding everyday household items such as laundry detergent to their virtual carts.

For brand owners, the shift to ecommerce creates a whole new set of marketing challenges — including decisions involving packaging. There are some crucial differences in the types of problems packaging needs to solve for brick-and-mortar versus ecommerce channels. First, ecommerce packaging must accommodate more rigorous delivery criteria than brick-and-mortar packaging. Second, brick-and-mortar packaging needs to cut through marketing clutter, while ecommerce packaging can focus on other priorities, such as prompting repurchase. Third, sustainable packaging, which can be more costly, may make economic sense for ecommerce. Finally, ecommerce packaging can play an important role in enhancing the customer experience, particularly via unboxing.

Years ago, when ecommerce comprised a small portion of sales, brand owners could overlook these differences in favor of traditional packaging designed for brick-and-mortar stores. But as ecommerce captures a larger percentage of sales, tailoring packaging to individual channels can have a real impact on brand sales performance.

Direct-to-consumer (DTC) distribution changes everything

Perhaps the most obvious difference between ecommerce and brick-and-mortar channels is that ecommerce requires manufacturers to ship products directly to consumers. Ecommerce distribution involves three times as many touchpoints as brick-and-mortar distribution, placing the onus on packaging to protect products from the increased risk of damage that results from additional handling, including leakage, breakage and spoilage. This can mean rethinking packaging materials with a focus on durability (see "Laundry detergent redesign addresses ecommerce pain points" sidebar).

Is It Time for Brand Owners To Think Beyond Omnichannel Packaging? was written by **Thilo Henkes**, **Jeff Cloetingh** and **Noor Abdel-Samed**, Managing Directors at L.E.K. Consulting. Thilo, Jeff and Noor are based in Boston.

For more information, contact strategy@lek.com.

L.E.K.

Laundry detergent redesign addresses ecommerce pain points

The Honest Company engaged Berlin Packaging to help redesign its laundry detergent line to solve DTC leak-related shipping challenges. Berlin Packaging found that a dosing cap closure was frequently responsible for product leakage. To address this, it designed a new polypropylene closure with a thick, high-density foam liner. This resolved product leakage issues and improved drop resistance of the product.

However, increasing the durability of packaging often leads to increased weight, raising transportation costs for the DTC channel. Transportation costs are a less important consideration for brick-and-mortar distribution because manufacturers pay a set price to have pallets and truckloads of product shipped to central locations. But DTC shipping costs are based on weight, package size and distance, meaning a much higher percentage of the overall product cost involves the expense of shipping and transportation.

Some packaging solutions, such as changing from glass to plastic, address both durability and weight issues (see "New package design for salsa reduces breakage and lowers cost" sidebar). Others address durability but at the expense of weight — for example, adding reinforcement to parts of a product container or its shipping encasement. Brand owners need to consider these trade-offs when designing packaging for an ecommerce channel.

The stars align for sustainability

For brand owners, the decision to improve sustainability in packaging has often involved a trade-off between increased cost and the brand equity they can accrue with environmentally conscious consumers. But when it comes to designing packaging for a DTC channel, that trade-off may be far less difficult because there are more factors that enter into the overall cost of ecommerce packaging. For instance, if the sustainable material is lighter than the traditional material, it can save shipping costs even if the material itself is more expensive. This was the case with Procter & Gamble's recently launched Tide Eco Box, designed for the ecommerce market. The packaging for this concentrated liquid detergent uses 60% less plastic and is 4 pounds lighter than the comparable bottle version found in retail stores (see Figure 1).

In some cases, package designers can reduce the amount of material used without risking product damage. For example, computer hardware — nearly 80%[1] of which is now sold via ecommerce — can be packaged in boxes that don't require crating as they would when shipped in bulk to stores. The same is true of certain consumer staples such as diapers. The rise of ready-to-ship packaging eliminates secondary packaging material and allows sellers to reduce packaging and warehouse costs.

Of course, certain products that have been designed for sustainability often lend themselves to an ecommerce channel precisely because they are more compact or use less material, including their packaging. Just Water, which sells its product online, uses plant-based cartons instead of glass or petroleum-based plastic. Startups like Dropps.com have created a business model around selling concentrated unit-dose laundry and household products through the direct-to-consumer channel.

The bottom line is that brand owners who think strategically about their sustainable packaging can achieve a win-win in the ecommerce channel: an opportunity to generate goodwill among customers without sacrificing margins.

Competing versus reminding: Maintaining brand integrity

Packaging for an in-store rather than an ecommerce channel serves a fundamentally different purpose. In a physical setting, the principal role of packaging is to cut through the competing clutter and make a product stand out on the shelf — to say, "Choose me!" For example, larger formats capture consumer attention and therefore work well in-store; they are also more economical from a packaging and margin perspective. Distinctive decoration, including colors, graphics, shapes, patterns, hand-feel, stories and fonts, can be employed to attract the eye, interact with the consumer and trigger a purchase.

For some items, such as food, being able to see through the packaging to the product itself is important — one reason so many in-store items are displayed in glass or transparent plastic containers. For other items, such as brush handles, touch may be central to the sale, so the packaging needs to leave parts of the product exposed.

Figure 1
Tide Eco Box

• 60% less plastic • Shipping-safe packaging • "No-drip" twist tap

Source: Company website

New package design for salsa reduces breakage and lowers costs

Consolidated Mills, a contract food packager based in Houston, decided to change the design of its glass salsa jar to accommodate a newly launched ecommerce initiative. While the salsa sold in stores came in glass jars, the company needed a more durable and lightweight solution to withstand the rigors of ecommerce shipping. The new package design included a hot-filled polyethylene terephthalate (PET) jar with a metal lug closure and a waterproof and tear-resistant label. The new design resolved glass breakage issues, reduced case weight by 3 pounds and eliminated costs associated with extra secondary packaging.

These issues are far less relevant for online purchases, and packaging is of secondary importance in the customer's initial purchase decision. This frees up brand owners who are designing packaging for the DTC channel to focus on such attributes as shipping ease, flexibility, and waste and cost minimization. For instance, they might consider switching from heavy glass to lighter plastic, since seeing the product through the packaging is not essential.

However, ecommerce packaging does have a purpose. Rather than prompting an initial purchase decision, the role of primary packaging for products online is to trigger a repurchase decision when the consumer is ready for the next virtual order. This means packaging needs to reinforce brand identity wherever the product resides in the home. In other words, it should serve as a reminder that consumers should buy that specific product again. The packaging doesn't have to win out over other products, but if it is too commoditized or generic in look and feel, there is greater risk of consumers turning to competing brands and products. Above all, ecommerce packaging needs to protect the integrity of the brand in order to trigger a repurchase.

The unboxing experience: Marketing gold for ecommerce

As anyone who has ever brought home a product housed in difficult-to-open secondary packaging knows, getting the product out can be a struggle that requires sharp objects or brute strength. Such packaging may be important in-store either to expose parts of the product or to prevent theft (for example, in the case of razors), neither of which is an issue for ecommerce packaging. Instead, the focus can shift to creating a frictionless unboxing experience for consumers.

But beyond eliminating any negative aspects of unboxing, ecommerce secondary and/or tertiary packaging (see Figure 2) has a significant positive role: enhancing the customer experience. Customers who buy in-store are already interacting with the product when they make their purchase decision. For online buyers, that interaction begins with unboxing at home. With the average unboxing experience clocking in at 22 seconds, this is a unique opportunity to capture customers' attention — for far longer than with other forms of advertising.

In order to make that unboxing a positive — rather than a frustrating — experience, some DTC brands have gone to great lengths to create packaging that emphasizes an element of discovery. For example, Harry's, an online store for men's shaving products, uses ingenious, intelligently designed packaging to create a unique unboxing experience that increases the brand's perceived value and spotlights the company's customer-centric approach. This, in turn, helps increase the odds of repeat purchase from highly engaged customers.

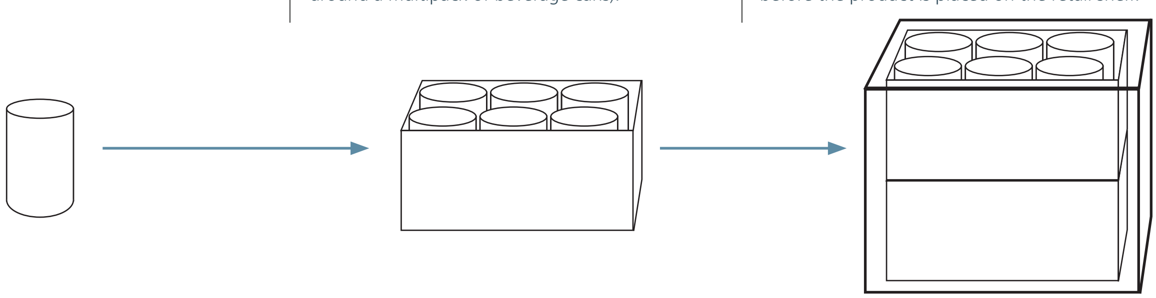
The success of DTC brands like Harry's has prompted larger manufacturers that operate in multiple channels to consider ways in which they can use inventive ecommerce packaging to enhance the customer experience and reinforce their brands. Some are even turning to specialty packaging companies such as DS Smith, whose designs emphasize the unboxing experience to encourage customer retention.

Figure 2
Types of packaging

Primary packaging, otherwise known as retail packaging, is the container that most closely protects the product (e.g., soda cans, pill blister packs).

Secondary packaging serves as a consumer-facing billboard for on-the-shelf display (e.g., folding carton box around bottle inside, printed shrink film around a multipack of beverage cans).

Tertiary packaging protects products during the shipping process (e.g., corrugated box to move product from the warehouse through the last mile) and is typically removed before the product is placed on the retail shelf.



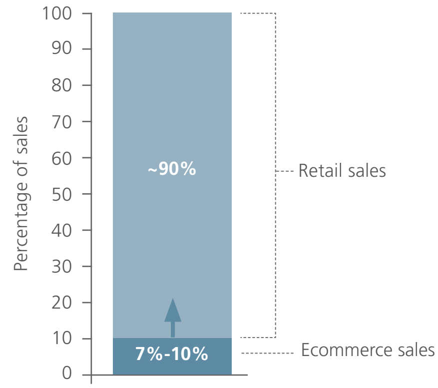
Source: L.E.K. research

Delivering brand promise through packaging

When a brand owner's product line reaches 7% to 10% or more of sales through ecommerce, it is time to consider built-for-channel, ecommerce-specific packaging (see Figure 3). The benefit for the brand owner is compelling: increased brand performance through higher consumer repurchase rates. Packaging design will continue to evolve as manufacturers adapt to new pain points and recognize new opportunities in product marketing. As ecommerce grows in importance, brand owners must make packaging decisions that will increasingly consider the very different set of challenges that the DTC channel must address and the prospects that it offers.

[1]U.S. Census Bureau

Figure 3
Timing the switch to ecommerce-specific packaging



Source: L.E.K. research and analysis

About the Authors

Thilo Henkes is a Managing Director and Partner in L.E.K. Consulting's Boston office and leads the firm's Paper & Packaging practice. Thilo is also active in the firm's Building & Construction, Industrial Equipment and Private Equity practices. He joined L.E.K. in 2000 and has nearly 20 years of consulting experience specializing in transaction support and developing post-acquisition, value-enhancing strategies for portfolio companies.

Jeff Cloetingh is a Managing Director and Partner in L.E.K. Consulting's Boston office. As a member of the firm's Paper & Packaging and Industrials practices, he has worked with clients on the development of global growth strategy, go-to-market commercial strategy, roll-up strategy, and digital packaging and printing strategy, as well as on M&A transaction support.

Noor Abdel-Samed is a Managing Director in L.E.K. Consulting's Boston office and a Consumer Products sector specialist. He has deep expertise in digital, omnichannel, ecommerce, consumer segmentation, pricing and promotions, and has significant experience leading teams through market-facing and organization-changing initiatives from conception through implementation.

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