

# New and improved indeed

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It is well documented that packaging has a direct impact on sales, most notably in influencing many purchase decisions that take place at the point of sale. Research studies also repeatedly find that innovative packaging systems (new shapes, materials, dispensing systems, etc.) are very powerful in their ability to differentiate brands, justify price premiums and/or increase brand loyalty.

Just as often, however, potentially valuable packaging innovations are not implemented. These missed opportunities are often rooted in the fact that marketers and engineers speak different languages and approach packaging from nearly opposite perspectives:

- Packaging engineers tend to consider packaging primarily in terms of its functionality and focus on rational benefits (easier-to-open, etc.).
- Brand managers tend to think primarily in terms of return on investment and focus on incremental costs and sales revenue.

Since many packaging innovations require significant up-front investments (for retooling, etc.) and/or incremental costs-per-unit (via more expensive materials), they often turn into a roadblock of sorts: Engineers can demonstrate that the new system provides a functional benefit, but they can't provide marketers with the evidence (of increased sales revenue) that they need to justify an investment.

Consumer research can bridge this gap and help companies make informed packaging development and investment decisions. With

this thought in mind, I'll discuss how research can help gauge the business value of new packaging innovations. I'll also point out several potential barriers to innovation, which are rooted in the way that companies approach and assess new packaging systems.

## Benefit greatly

When new packaging concepts are first developed, they benefit greatly

from qualitative research (in-depth discussions with small numbers of target customers), which provides the insight needed to identify and address concerns. Conversely, quantitative research (surveys with hundreds of people) is inherently less diagnostic, and it typically leads companies to declare winners and losers (and to simply discard the latter). For example, in a recent study, we found that a new packaging structure for liquid soap was strong on a functional level but had a shape that suggested a lower-end product. If we had

## Documenting the business value of packaging innovations



By Scott Young

Editor's note: Scott Young is president of Perception Research Services, Fort Lee, N.J. He can be reached at 201-346-1600 or at [syoung@prsresearch.com](mailto:syoung@prsresearch.com).

conducted survey research, this idea would have simply been rejected. However, the qualitative research setting allowed us to pinpoint the source of the problem and guide refinements that saved the idea.

In fact, the way companies test new ideas can also stifle innovation by killing ideas before they are fully developed and refined. Here, the problem is often rooted in what we call the rush to judgment. Given the costs of creating functional prototypes, companies are eager to gather

numerical evidence before investing further in a concept. This leads them to present new concepts to customers through drawings and written explanations, which rarely produce the same depth of feeling from customers as a functional package. As a result, these studies will often understate the impact of a new structure: They will generate the precise numbers desired for decision-making, but they may be misleading numbers. Overall, at the early stages of packaging exploration and devel-

opment, more will be learned from watching 20 people actually use and discuss a package than from surveying 200 people regarding a drawing and/or concept statement.

From the marketers' perspective, however, qualitative research is often not enough. Due to the small sample sizes (usually 20-30 people), qualitative research cannot provide numerical data. In addition, it is far removed from the purchase experience, and thus cannot provide evidence of impact on shoppers' decision-making. Therefore, while focus groups are valuable in providing initial direction and narrowing down a wide range of options, they are not an appropriate tool for documenting the added value or the business impact of a packaging innovation. For this reason, survey research is needed to justify investments in new packaging systems and guide final go/no-go decisions.

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#### **Document potential benefits**

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Of course, the value of quantitative research is tied directly to its comprehensiveness. Specifically, it is important that survey research document all the potential benefits of a new/proprietary structure. In our experience, we've seen that a new packaging system can influence shoppers on three levels:

1. Increased shelf impact/visibility

A unique packaging approach can be a valuable weapon in the battle for consideration and recognition at the point of sale. The difficulty of breaking through shelf clutter should not be underestimated: Our studies have shown that even when shoppers are directly considering a category, over one-third of the brands displayed are ignored completely. However, a unique, engaging structure can help ensure that a product consistently draws shoppers' consideration and drives impulse purchases.

2. Enhanced product perceptions and brand imagery (before use)

Time and again, we've seen that

packaging structures can influence product perceptions. Women's anti-perspirant packaging provides a good case in point. In a study, we found that Dove's taller, thinner package suggested a more feminine and clean product than competing products that were housed in thicker and more uniform packages. In other words, even though it did not provide a rational/functional advantage, it increased the likelihood that shoppers would buy Dove. An "own-able" structure or delivery system (such as Coca-Cola's contoured bottle) can also provide a powerful linkage to brand heritage or relevant imagery. In a study, for example, we found that a certain shape conjured up customers' memories of old milk bottles, and linked to their nostalgia for simpler times in a consistently positive way.

3. Functionality and satisfaction after use

Of course, a new structure that provides functional benefits can lead

to an improved usage experience, increased customer satisfaction and ultimately to stronger brand preference and loyalty. However, it is important to remember that only people who use the product will experience the functional benefits. In other words, unless a packaging innovation is clearly visible and/or well communicated, it may not contribute significantly to business value.

In order to document all of these potential sources of value, a comprehensive packaging study should simulate both the shopping and the usage experience. Moreover, it should measure a packaging system's shelf visibility and impact on product perceptions before usage. If the packaging gets lost on shelf, or if it sends the wrong initial message, it will never get the chance to function.

**Document the impact**

Ultimately, to provide "evidence" that a new packaging system will provide business value, it is necessary to sim-

ulate the introduction of the new system and document its impact on shoppers' decisions.

For this reason, the single most important principle is to evaluate each new packaging innovation on a monadic basis, in the context of competitive packaging. In other words, one group (cell) of target shoppers (perhaps 100-150 category shoppers) should encounter the current packaging in the context of primary competitors - and be asked to

evaluate each package and make a purchase decision. Another method is to evaluate each package on a group of 100-150 target shoppers should encounter the new/proposed packaging in the identical competitive context - and go through an identical interview process (evaluating packages, stating preferences, etc.).

By comparing data across the different groups (those who saw current packaging vs. those who saw proposed packaging), a study

can document the impact of a packaging innovation on consumers' attitudes (implied product perceptions, brand imagery, perceived functionality, anticipated pricing, etc.) and, more importantly, on their preferences/purchase decisions. In other words, a study can isolate and measure the impact of a packaging innovation along two measures directly related to business value:

- the impact on preference vs. competition (market share);
- the ability to justify a higher price without losing share (pricing).

These measures allow marketers to translate functional benefits into an informed estimate regarding the economic impact of a packaging change. Specifically, they allow marketers to address the primary questions on their mind:

- "If we introduce the new package without changing the price, will we pick up enough market share to justify the investment?"
- "Will we will be able to pass along the additional five cents per unit without losing any market share?"

Conversely, the most misleading findings come from studies in which companies attempt to project the added value of a new packaging system by asking people directly about how much more they would pay for a particular benefit. Unfortunately, pricing is perhaps the single area in which customers are least likely to be honest with interviewers. In other words, if you ask a person directly if he or she would pay more for a new and better package, the answer will usually be no. However, if you introduce that better packaging system at a slightly higher price, you may very well find that people do not notice the difference, or are actually willing to pay more.

### **Commitment and process**

Ultimately, we've found that innovation is a question of commitment and process. The exceptional companies recognize the potential value of proprietary packaging, and they

invest the time and resources needed to properly develop and fully assess new concepts. As importantly, the marketers and packaging engineers in these companies speak the same language through mutually-understood research processes and measurement systems. For if there is one reality in the marketing world, it is “That which is not measured is not fully valued.” | Q

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