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ECR Europe blue book on Shelf Ready Packaging

Summary presentation

15 January 2007

Agenda



ECR Europe SRP Initiative

SRP Definition

Project Team

Methodological Framework

Framework Highlights

Supporting Tools Developed

Success Factors

Summary

ECR Europe has leveraged ECR National and proprietary initiatives



SRP Landscape



i. Proprietary Initiatives



ii. ECR National Initiatives



- Working group to align the multiplication of initiatives on SRP across Europe.
- Recognising the importance of the topic, and the need to act at a European level, the ECR Europe Shelf Ready Packaging (SRP) Project began in February 2006

ECR Europe Objective

- Provide common perspective on SRP across Europe
- Promote collaboration between Trading Partners involved in SRP initiatives

The SRP Project Team has been comprised of more than 40 industry representatives.



- Significant participation, providing high quality SRP insights and content

Co-Chairs & Secretariat



Guiding Principles



Business Case



Functional Requirements



Project Management



The ECR Europe Blue Book provides a practical framework for collaborative engagements



How does the ECR Europe project differ?

- Methodological framework to support an end-to-end SRP assessment, including:
 - Comprehensive set of Guiding Principles ***New***
 - Business Case evaluation ***New***
 - Adapted Functional Requirements ***Updated***
 - In-Store Execution ***New***
- Practical Tools to support the methodology and assessment
- Shopper Impact and considerations

However.....

- SRP is not standalone Best Practice
- No Industry 'Size of the Prize' is available
- Evaluation is required on a product by product basis

The scope of the Shelf Ready Packaging project encompasses a number of industry recognised definitions.



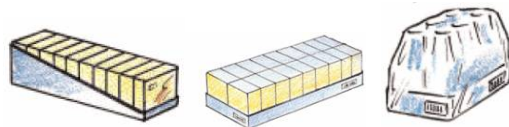
Project Scope

- Shelf Ready Packaging (SRP)
- Retail Ready Packaging (RRP)
- Ready to Sell or PAV (prêt-à-vendre).
- Display Ready

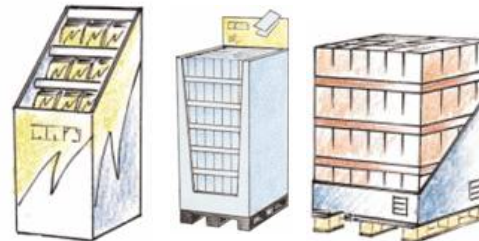
The definition is not limited to packaging which goes on the shelf, but includes sales support mechanisms in all major distribution channels

SRP Types

On-Shelf Tray / Case



MUs, Pallet, Dolly



Re-usable Plastic Tray



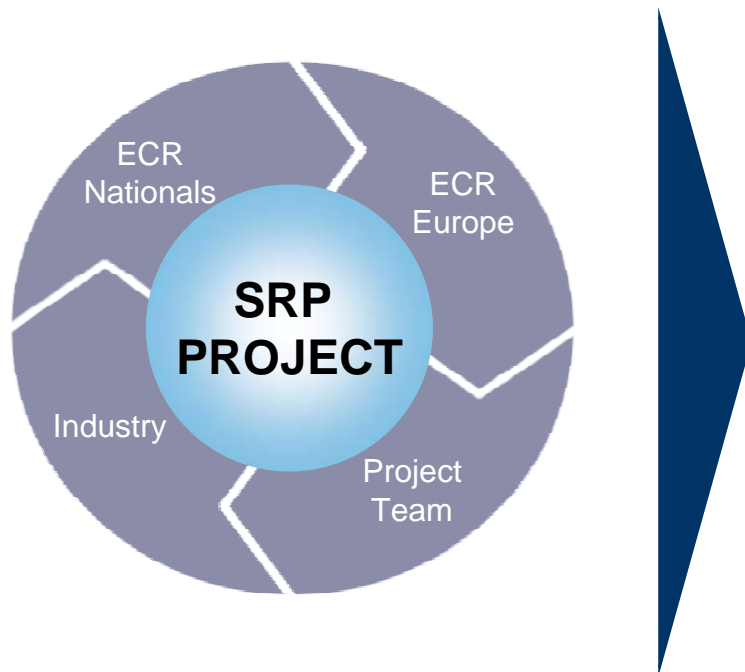
An 8-Step approach to evaluating the Business Case for SRP has been developed



The SRP project has defined a Common set of Principles for Trading Partners.....



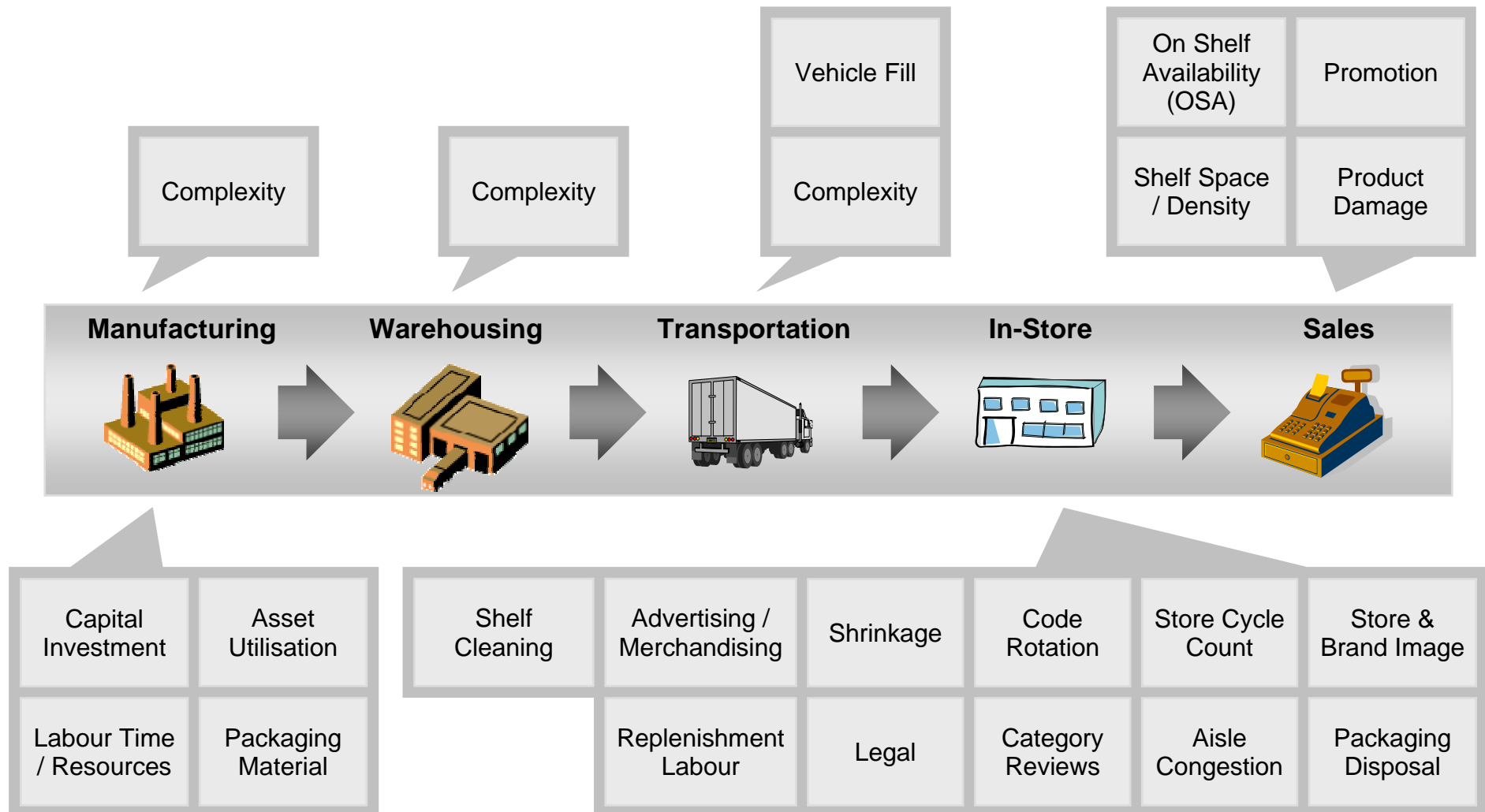
- The Principles provide a common language and shared goals for Trading Partners to engage in discussions
- Their creation – a combination of best practice from a variety of sources



Headline Guiding Principles

- ✓ Always of Value to the Shopper, Retailer and Manufacturer
- ✓ Compliance with Environmental Legislation and Public Policy Concerns
- ✓ Avoid Fragmentation and Complexity
- ✓ Maintain Brand Identity
- ✓ Measure Implementation
- ✓ Requirement of Long-term Commitment from Retailers and Manufacturers
- ✓ Compliance with total Supply Chain Efficiency Principles

.....whilst the Business Case focuses on assessing the Value Chain drivers impacted.....

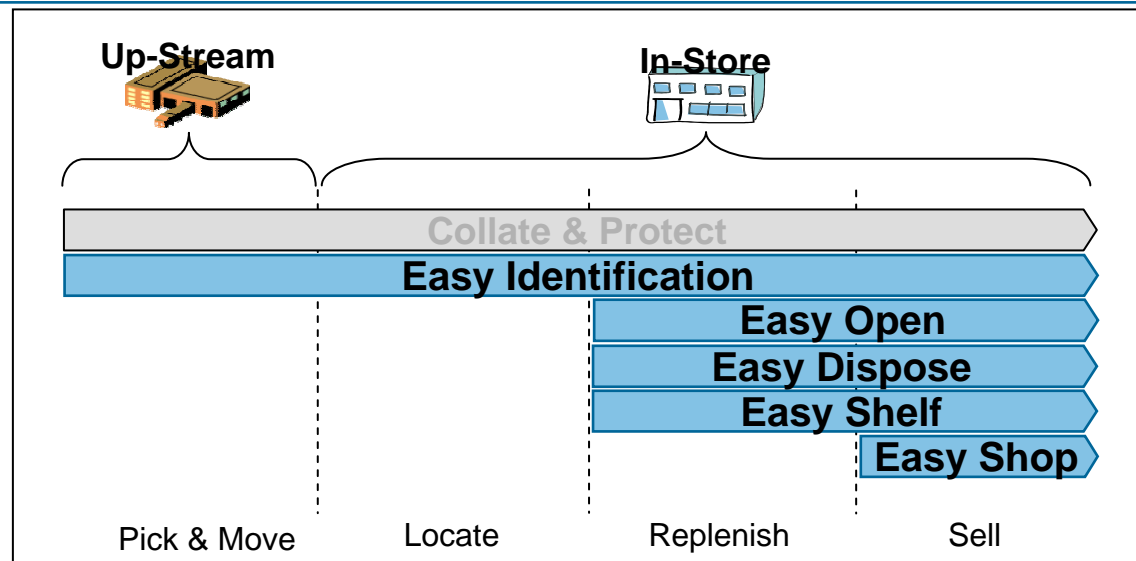


....with Functional Requirements to assist in solution design and assessment, and In-store Execution to support implementation



Functional Requirements

- The Functional Requirements move discussions away from technical solutions, and support the freedom to innovate
- Collate & Protect functionality should be considered in parallel to SRP requirements, (e.g. Efficient Unit Loads)



In-Store Execution

- Excellent In-store execution underpins the success of SRP implementations, promoting training, communication & regular store auditing.

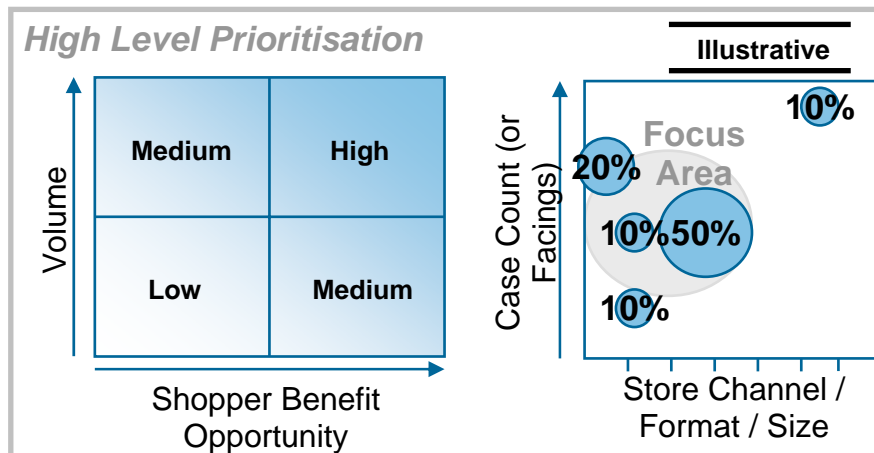


Several tools have been developed to support the Methodology and collaborative engagements



Supporting Tools

Business Case



Business Case Evaluation

| Driver | Area of Impact | Category | Measuring Methodology | Priority |
|------------------------------------|--|----------|---|----------|
| 1 On-Shell Availability | Sales | Volume | Incremental margin from reduced on-shell out of stock assuming 1% CAGR increase + 10% sales increase | Yes |
| 2 Shelf & Store Image | In-Store | Volume | Incremental margin gain / loss from brand image (by manufacturer) and store image (by retailer) | Yes |
| 3 Promotion | Sales | Volume | Forecast incremental cost or saving paid by trading partners, when compared to cost of alternative media such as POP materials, advertising, etc. | Yes |
| 4 Shelf Space / Shelf availability | Sales | Volume | Incremental margin gain / loss from a change in product density with equal sales | Yes |
| 5 Shelf composition | In-Store | Volume | Incremental margin gain / loss from a change in composition due to packaging change | Yes |
| 6 Manufacturing Labour & Resources | Manufacturing | Cost | Net design costs not offset by manufacturing efficiencies | Yes |
| 7 Complexity | Manufacturing / Warehousing / Transportation | Cost | Net components (both will be incurred if the change results in SKU increases/decreases). Fixed cost(S) spend yearly to maintain additional complexity | Yes |
| 8 Packaging Material | Manufacturing | Cost | Incremental material packaging cost | Yes |
| 9 Asset Utilization | Manufacturing | Cost | Cost of change in asset utilization, calculated by manufacturer according to internal procedures | Yes |
| 10 Vehicle Fill | Transportation | Cost | Average cost of transporting a unit of product + difference in product volume due to packaging change + annual volume | Yes |
| 11 Shrinkage | In-Store | Cost | Difference in stock loss before & after change | Yes |
| 12 Cycle count | In-Store | Cost | Average amount of time per stock count / cycle count + labor cost | Yes |
| 13 Code Rotation | In-Store | Cost | Product needs from stores / space (grid) req. Time saved through faster code tracking and | Yes |

Solution Assessment & In-Store Audit

SRP Solution Assessment **

| Functional Requirement | Weighting | Score | Weighted Score |
|--|-----------|-------|----------------|
| 1.1 Is it easy to identify product category? | 15% | 4 | 60% |
| 1.2 Is primary product either visible through the packaging or displayed on the outer package? | 15% | 4 | 60% |
| 1.3 Is it easy to identify brand? | 15% | 4 | 60% |
| 1.4 Is it easy to identify variant? | 15% | 4 | 60% |
| 1.5 Is it easy to identify size? | 15% | 4 | 60% |
| 1.6 Is it easy to identify date? | 15% | 4 | 60% |
| 1.7 Is it easy to identify lot? | 15% | 4 | 60% |
| 1.8 Is it easy to identify information on at least 2 sides? | 15% | 4 | 60% |

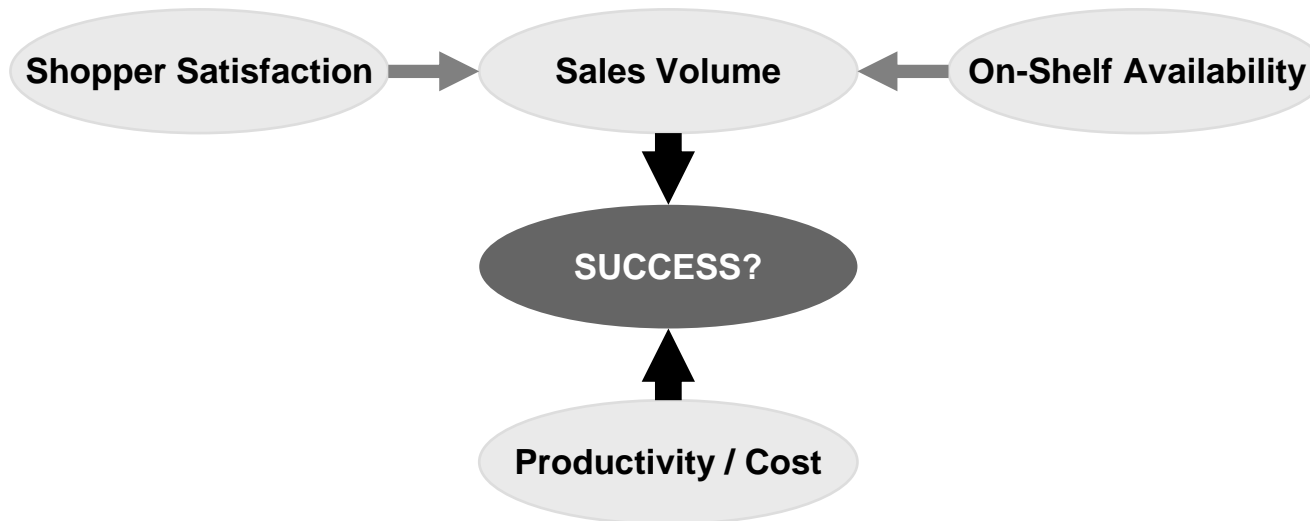
Store Audit & Checklists

| Area | Questions | Comments |
|-------------------------------|--|---|
| Introduction Follow up | Is the SRP Used as planned? If the SRP is not used as planned, WHY? Training material used? | 100% ? Or what level? What was good/bad? |
| Logistics | Is the SRP damaged when arriving to the store? Easy to ID? | Chain damage or shrinkage |
| Merchandising | Easy to transport from backroom to shelf? Solution fit to shelves? Promotional MP? Is the maintenance, removing of empty SRP boxes easy? Is some kind of SRP shelf identifier or aisle used? FEFCO stock rotation on shelf simplified? Any ergonomic concerns? | Heavy lifting, odd movements needed |
| Packaging solution evaluation | Structural packaging still good after use? Easy to Open? Easy to Shelf on shelf? Easy to separate materials and food? Comments from customers? Clarity of challenges? | DI,book or accessibility |
| Appearance in Use | Packaging graphical still good after use? Brand visibility clear while shopping down? Colour durability? | |
| Store position | SRP positioning and fit (if not shelf)? | |
| Measurements | Are KPIs known? Has the Staff security increased with SRP? Has staff health and absence level changed? Is replenishment easier? | Also the specific targets? |

Finally, implementation success should be measured, not forgetting the Shopper's perspective



Success Factors



- Incorporating Shopper insights, provided by IGD, highlight the need to measure more than just the efficiencies delivered by SRP solutions.
- In-house surveys or with help of professional services
- Balanced scorecard

To Conclude



ECR Europe SRP

- Many of the companies involved are starting to adopt the Methodology and Tools in their day-to-day activities
- Most of today's speakers have contributed to the ECR Europe project
- You will see further reference made to the ECR Europe deliverables today
- The ECR Europe Blue Book, incorporating the methodology and tools, will be widely available at no cost

Publication

January 2007