

New Dimensions to Packaging Cost Savings

As of September 2012, Michiel Bouvy joins the Innovative Cost Reduction Services and Audit team. He brings a useful combined expertise in packaging itself (primary, secondary), retail chain optimisation and strategic packaging projections. As marketing & business support expert at a major global packaging materials corporation, Michiel has been responsible for cost saving projects for corporate customers like Danone Numico, Unilever, Friesland Campina, Proctor & Gamble, Dr. Oetker, Nestlé and Reckitt Benckiser.

by: Dr. Cecilia Kühn

Capturing shoppers' hearts and minds

In today's consumer markets, packaging is increasingly critical to success. In retailing, a vital tool to capture shoppers' hearts and minds at the point of sale. But pack enhancement driven by market dynamics (innovative shapes, new functionalities, elaborate print, safety and environmental issues) puts a strain on companies' strive to control and reduce packaging and supply costs. When physically moving along the value chain, packaging responds to changing needs of multiple stakeholders with often conflicting interests. The retail distribution chain imposes many demands, not only on product packaging but increasingly on transport & display packs as well as in palletizing and transport efficiency. The transformation of logistic into commercial parameters at the point of distribution has a direct impact on sales. But consumers at home have other needs, like handling, storage, and consumption of products, suddenly adding new requirements to those imposed by the distribution chain. All these factors have to be considered and optimized in cost saving projects. What indicators for Value, Time (to market), Sustainability and Costs apply, and how do they impact packaging, and vice versa? This is where we come in to make the difference.

SOS-Scan and ICR-Audit

Recent years have hit the food industry with a series of new financial challenges: Fluctuations in the price of commodities, the financial crisis and the threat of recession. This imposes continuous pressures to manufacturers, which are passed onto suppliers. Suppliers of process and packaging technology, raw materials and services have responded actively to this accelerated search for new, more effective cost saving options of the food industry. It is a fact that suppliers limit their offer and advice to what they sell;

Thus company managers have difficulty in overviewing the options of the marketplace, needed to make the best choice for their case. Further, suppliers seldom get involved in optimising manufacturing processes, purchasing, waste reduction, and in other aspects of manufacturing and retail chain. When they do, it is to a limited extent and with focus on safeguarding their business interests.

An independent, multi-disciplinary approach is provided by the 'SOS-Scan' (Savings Options Scan) and other services of the Innovative Cost Reduction Services (ICR-Services). The SOS-Scan focuses onto a specific cost saving question to overview various technological solutions in one go. This knowledge tool generates insights to company managers in their evaluation and selection of the most appropriate cost saving strategy. Another industrial profitability service is the 2-day ICR-audit (www.icr-audit.com; see Fig. 2), designed to complement *Operational Analysis*¹ for industrial cost reduction, and focuses on the contribution of technological innovation to cost reduction. Challenging the 'status quo' without 'political' implications for the manager is an extra benefit of using these external cost saving services.

¹ Sig Sigma and Lean are well-known *Operational Analysis* methods.



Figure 1. Mr. Michiel Bouvy, BBA

From the Packaging Front

Classic cost reduction routes in packaging frequently combine two or more cost saving benefits. These are usually applied to Cost Reduction Type 1 (Kühn & Ward, 2011). *Lightweighting* remains such a classic: save not only on packaging but also on transport costs and environmental taxes. New generations of 'lightweights' and recycled materials have significantly reduced virgin material usage (typically 20%) in plastics, in paper and board or metal packaging, while delivering the same functionality and appearance as their heavier predecessors. Lightweighting by *structural design* in metal cans and glass (Ardagh), corrugated board (Smurfit Kappa) or thermoformed plastics generates additional savings. In visual appearance and graphics, developments like "sleeving" and digital printing make print postponement and differentiation affordable. System integration of materials, structural design and processing technology (Tetrapak) topped by new methods of supply chain evaluation (IMPAQTOR) pave the way for substantial new savings options.

Integrating materials, supply chain, strategy

The arrival of Michiel Bouvy to the Innovative Cost Reduction team allows us to provide another dimension in our cost savings services. He brings a wide experience in managing international projects on cost reduction and packaging strategies with FMCG companies across Europe. With the increasing relevance of packaging to product propositions and market performance; understanding value impact and – hidden - costs associated with development and portfolio management becomes a critical competence. We welcome Michiel for the benefit of our clients!

The Innovative Cost Reduction Audit

(www.icr-audit.com)

An expert, short-time industrial diagnostic tool (typically carried out in only 2 days *in-company*), the ICR-Audit is designed to deliver a whole new battery of cost saving leads from various fronts, while maintaining brand equity and product quality.



ICR-Audit focuses on *value analysis* and covers: product formulation; process optimisation; packaging; waste, reject and return reduction; logistics and supply chain optimisation; purchasing & sourcing optimisation; outsourcing, contract manufacturing and co-packing.

ICR-Audit complements other cost reduction schemes used in the food industry such as those focussing on marketing & promotion; safety and operations analysis. More information? Contact c.kuhn@icr-audit.com.

Figure 2. Description of the Innovative Cost Reduction Audit

Reference

Kühn, M.C. and R. Ward. "Developments in Innovative Cost Reduction to Raise Profitability". Food Highlights 18, January 2011. Download: www.foodlinkforum.com/publications/newsletter.php

The ICR-team

Michiel Bouvy, BBA (m.bouvy@icr-audit.com), packaging specialist, more than 20 years of experience in the various packaging aspects in the food industry. Besides his work on primary and secondary packaging, he works in cost/value optimisation of packaging in the retail distribution chain (logistics aspects) and in strategic packaging. His combined experience positions him well to discover unforeseen savings in Innovative Cost Reduction Audits, and projects beyond straight primary/secondary packaging cost reductions. In his 20+ years of service to the Smurfit Kappa Group, he has been responsible for identifying and realising improvements and savings in CPG industries throughout Europe, with focus on the food industry. He managed extensive projects with corporate customers like Danone Numico, Unilever, Friesland Campina, Proctor & Gamble, Dr. Oetker and Reckitt Benckiser. Michiel is board member of the Dutch Association of Packaging Professionals.

Dr. Cecilia Kühn (c.kuhn@icr-audit.com) has more than 25 years of international innovation experience in the food industry, and has worked in Europe, the Americas and Japan. Besides her work on product, process and package development, Dr. Kühn is an international specialist in Valorisation and Waste Management in the food industry. She has worked on valorisation projects in USA, Netherlands and Central America (in a United Nations project). She has been co-responsible for the innovative cost reduction of a 'Big Scale Value Analysis' programme at an Unilever manufacturing hub in Germany (for 6 European countries).

Dr. Russell Ward (r.ward@icr-audit.com) has more than 20 years experience developing innovative products for world-class food/beverage and household products companies throughout Europe and in China. Dr. Ward specialises in providing the technical solutions necessary to develop high quality/low cost products. Amongst his successes are the development of low cost probiotic dairy products for Danone in Russia and Eastern Europe, cost optimisation of beverages, yogurts and desserts, and for Reckitt Benckiser and Unilever development of detergent formulations adapted to the needs of consumers in China, Brazil, Indonesia and Eastern European markets.