



Transforming e-commerce

WHY POOR PACKAGING IS BAD FOR BUSINESS
AND HOW TO AVOID IT



Don't underestimate the importance of packaging

A new study from DS Smith has revealed just how much people care about packaging and the role it plays in the overall online shopping experience.

A new pair of jeans long lusted after or new crystal glassware bought on impulse wouldn't survive the journey home without some sort of packaging, and the quality of that packaging is becoming ever more important.

Shockingly, few businesses are aware of the importance of packaging. Our study revealed that more than a third (39%) of UK shoppers have experienced poor-quality packaging when ordering online.

This is prompting discontent, with nearly one in five (19%) saying they have felt angry or upset after the experience.

Poor packaging means poor customer service, which is a huge cause for concern given the highly competitive environment retailers are operating in.

The truth is, packaging that isn't up to standard means lost customers, as our survey clearly demonstrates. More than a quarter (26%) wouldn't order again from a retailer who sent them a poorly packaged product.

If one considers the volume of parcels ordered online – 40 million people ordered a product online in 2016 in the UK alone – bad packaging choices could mean millions of pounds or euros in lost business.

With that in mind, how can retailers, supply chain professionals and marketers avoid the pitfalls? Read on to discover DS Smith's four steps to e-commerce success, followed by a few helpful tips based on the first-hand experiences of some of our in-house experts.

We know how to help customers lower cost, increase sales and manage risk.

Fast facts on e-commerce

- Shopping via the internet is now an everyday alternative to stepping in store
- Ireland leads the e-commerce trend in Europe, with 30% of businesses now selling online
- In 2015, one in five businesses in Europe made a sale electronically
- Businesses employing 10+ people in 2015 recorded e-commerce as 16% of total turnover



A growing trend
Looking ahead, current growth in e-commerce is only set to continue. According to statistics from eMarketer, global retail e-commerce sales will rise to \$4.1 trillion by 2020, representing 14.6% of total retail sales. In 2015, e-commerce represented just 7.4%.

Step 1: Plan ahead

Shopping has long been about inspiring delight. Good food. Beautiful clothes. Delightful experiences. Numerous factors go into creating this experience.

Take a new homeware product - perhaps a vase - as an example. The product designer has thought carefully about colour, weight, thickness and decoration. In a store this would be displayed in all its glory on a shelf or in a beautifully lit display cabinet. Shop staff would provide information and assistance. Ambient music would be played. Touch and smell also come into their own.

The overall experience is multi-sensory. The opportunities for the shopper to interact with others to share their experiences are plenty.

Transfer this journey over into the world of e-commerce and it is profoundly different. A shopper's purchasing decision is likely to be influenced by positive online reviews - the experience is by its very nature 2D.

When a package arrives through the post it is the first point of physical contact with any new purchase. There is a risk that without the multi-layered in-store experience, shoppers feel deflated. Worse, they feel angry or upset because their new plate has arrived broken, or worried about recycling the excessive packaging it has arrived in.

The appropriate use of packaging safeguards against unhappy customers. To achieve this, planning for how an item is going to be packaged up to arrive safely into a customer's hands is vital.

Pack it right

Packaging is often thought about at the end of the product development journey, but really it should be brought into consideration at the very beginning. The rise in e-commerce is making the need ever more pressing. Across Europe, DS Smith's PackRight Centres are hubs of expertise and creativity, where we work with customers in collaborative workshops to achieve tangible results. The most forward thinking businesses are incorporating an omnichannel approach to primary packaging, to avoid overpacking for e-commerce distribution. This also aids consistency for customers, so they have the same standard of experience regardless of where and how they shop.



“When a package arrives through the post it is the first point of physical contact with any new purchase.”

Step 2: Make a song and dance of it

The truth is, first impressions count. Poor packaging loses customers, whereas high quality, well-designed packaging cannot fail to impress.

In the world of e-commerce, the unwrapping experience has to be nothing less than theatrical, inspiring brand loyalty and aspirations for future purchases.

Technology and creativity are coming together to make retail packaging more exciting.

Advancements in digital print techniques have enabled packaging specialists to offer brands the highest quality, image fidelity and consistency of print. This means brands can customise the look and feel of their packaging, even to tie in with multichannel advertising campaigns.

Packaging design is constantly moving forward with new ideas, new shapes, and opportunities to surprise and delight customers. This is particularly important for the experience-seeking millennial generation, for whom the unboxing experience is something to celebrate and share on social media.

E-commerce businesses should see packaging as a way of replacing the shop floor experience and extending brand messaging into the home. It is both a marketing opportunity and customer engagement tool.

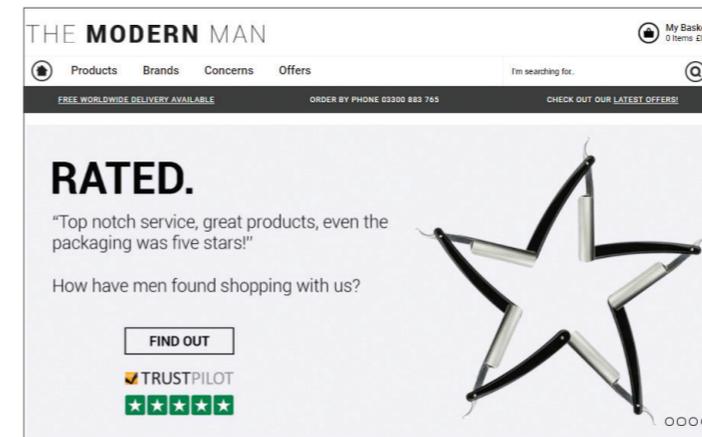
The Modern Man

Today's most ambitious e-commerce businesses want sustainable, affordable packaging solutions that also deliver an exceptional experience.

Online cosmetics retailer The Modern Man used high quality print to create the wow factor, combined with a secure yet easy-to-open design to ensure instant gratification for customers.

Owner Matt Crowson commented: "We want our customers to feel wowed when they receive our products. As our business is online only, it's really important that our brand values and ethos are transferred from the website through to the delivery process.

"We have a lot of luxury products, and we want our customers to get a sense of that quality from every aspect of their experience with us. A great design on the box helps build that sense of quality."





“39% of shoppers who have bought something online are concerned by excess packaging.”

Step 3: Take a sustainable approach

Businesses are changing the way they think about the environment. According to a global survey by Nielsen, 55% of the 30,000 people surveyed in 2015 said they were willing to pay more for sustainable goods, up from 50% in 2013.

This trend is particularly acute in younger generations, where the percentage increases to almost three in four. As the millennial generation ups its spending power, the trend is only set to continue.

DS Smith's new research findings support this view. Some 39% of shoppers who have bought something online are concerned by excess packaging, while 15% worry about how to recycle packaging. A more sustainable approach is now a business imperative.

Fortunately, zero waste from corrugated packaging is now a reality for those who choose to embrace sustainable business. But it shouldn't stop there - it has to go deeper into the supply chain. To achieve this longed-for change, the conversation in the world of e-commerce must be about the broader view.

A sustainable approach means looking across operations to reduce energy consumption, minimise waste and embed the highest ethical standards to ensure the most positive impact on the environment.

5mm makes a big difference

One customer experience is a great example of our sustainable approach in action. We shaved 5mm off their standard secondary pack, and when this was multiplied by the amount of space saved per pallet, and hence pallets per lorry, this 5mm change equated to 20 fewer lorries on the roads per year. This led to an annual reduction in the customer's carbon footprint by 100 tonnes - alongside substantial cost savings.

Step 4: Travel a different path

Whether digital or otherwise, the approach to supply chains is changing. In the future, businesses will measure their success against a cyclical model.

Businesses have traditionally viewed the supply chain as a linear route, taking a product from source to end consumer.

By shifting perspective and choosing to think in terms of a circular path, more opportunities to increase efficiency and target growth can be found.

This is already happening in the automotive sector, where vehicle manufacturers are required by law to plan the recycling or reuse of all 40,000 individual parts that make up a car.

It is also happening within the packaging industry. DS Smith supports the production of high quality, cost effective corrugated packaging with paper manufacturing plants and has its own recycling business to source fibre.

How can more be achieved? A collaborative approach is crucial.

If all the businesses interacting with or influencing a product's supply cycle come together with the common goal of reducing energy use or improving productivity, myriad opportunities can be found using the latest technologies and strategic thinking.

Faster packaging processes are being achieved with smart design and the use of automation. Likewise, the reliability of packaging is improving with research into materials and structures.

None of this would be possible without encouraging new ideas from everyone involved in the e-commerce supply chain.

Online and bricks and mortar coexist in a new retail environment. Cutting edge omnichannel solutions are being created that combine the best in design and technology innovation.

As the digital revolution is demonstrating, the world as we know it is changing. Be brave and embrace it – e-commerce presents huge opportunities.

The packaging process

Insight, development, review and validation, implementation. These are the building blocks that DS Smith follows with all its customers. The aim is to optimise the packaging of every product so the minimum amount of resources are used while achieving the highest standards of protection. We have developed state-of-the-art testing equipment DISCS™, allowing us to evolve cutting-edge packaging solutions.



“Fuel innovation and growth by embracing alternatives.”

Packing a punch

In the world of e-commerce, competition is fierce. Packaging should be used as a strategic prize fighter in the battle for e-commerce success, alongside an intuitive understanding of what it means to go digital.

Our resident experts reveal their insights from across Europe and a few fast moves for quick wins.

The Parisian suburbs

A short hop away from the tree-lined avenues of the Champs Élysées and the sweeping steps of Sacré Coeur, the Parisian suburbs are no less chic and home to Nicolas Baudot, e-commerce Business Manager at DS Smith Packaging, France.

Nicolas has been working in e-commerce for more than ten years and sees huge growth ahead: "In France, e-commerce represents 14% of the European market. There are currently 180,000 merchants, with growth each year between 10 and 15%."

The e-commerce market in France used to be for people looking to save money, but that is slowly changing, he says: "In France ten years ago, e-commerce was mainly people who wanted to spend less. Now, ease is becoming a huge motivating factor. Tomorrow, it will be mobility driving growth - the millennial generation want parcels in four hours."

His tip for best practice in e-commerce packaging is to put the emphasis on customer experience, with personalisation that encourages a sense of connection. The packaging also needs to match the brand - evoking a high-end experience is going to be vital for luxury retailers in particular.

Metro Berlin

Once a city divided, Berlin has seen a huge amount of redevelopment since its reunification in 1989. It has also seen a boom in business growth, particularly among tech-minded start-ups. Markus Krüger, e-commerce Business Manager at DS Smith Packaging, Germany says this is spilling over into e-commerce.

"Historically Berlin was known for classic industrial companies, but in recent years this heavy industry has fallen away. The growth now is coming from agile start-ups, who are able to respond quickly and scale up to demand," says Markus.

"In particular, the e-commerce scene is very big here in Berlin. As these businesses grow, they need packaging solutions that can grow with them. The process is really important - so things like tape strips to speed up the packaging of products are popular with manufacturers, as this then takes time and cost out of the supply chain. This type of packaging is also popular with consumers, as they are quick and easy to open."

"Regardless of where they are based, retailers should try to embrace this step change in shopping habits with enthusiasm, not trepidation. Innovative and thoughtfully designed packaging can go a long way in responding to the challenges of modern retailing and bring about untold efficiencies to the supply chain. In today's increasingly pressurised world, it is a critical factor that cannot be ignored."

Rob Carle, Head of Sales, e-commerce UK at DS Smith



The future is omnichannel.

DS Smith has the technology, insight and expertise to support brands and retailers to overcome key challenges on their journey to omnichannel.



Customer Challenges



Solutions

Stop shipping fresh air and reduce logistics costs with smart design. DS Smith has decades of experience and countless awards delivering optimised packaging solutions that will wow your customers



On average in e-commerce 55% of each box is empty

DS Smith's patented box design improves operational efficiency, eliminates void fill & lowers transportation costs

By working closely together, packaging strategists and retailers can make omnichannel operations a reality. To find out how we can support you in your journey to omnichannel, visit www.dssmith.com/ecommerce

The Power of Less

The potential of packaging explored, by DS Smith Packaging CEO, Stefano Rossi

“The retail environment has never been more exciting. It’s more competitive, but it’s also changing more quickly than ever before - market conditions are forcing us to innovate and create, and new technology means we can do this even more effectively.

“As the e-commerce market matures, new and smarter forms of packaging are creating opportunities to make the online retail experience more engaging, targeted and less wasteful.

“Done correctly, packaging for e-commerce can have a hugely positive impact on the overall experience, combining to deliver many of the elements that the consumer expects in-store, such as quality material and on-point messaging, right into their homes.

“If executed poorly, however, it can kill any chance of repeat business.

“At DS Smith we’re taking the lead and looking at everything from an omnichannel, customer-centric perspective.

“From our own expansive research we know that customers want their packaging to protect their products, but not in a way that creates excessive waste. They want it to be pleasing on the eye but also something that is easy to open and return, and is as recyclable as possible.

“E-commerce packaging is still in its relative infancy and there is much to be done in terms of investment in research and development, but there are huge wins to be had.

“As packaging professionals, we can provide innovation, foresight and capabilities to take brands to new and exciting areas, where online and offline merge to create experiences that both excite and delight consumers while forging brand loyalty and driving sales opportunities.

“Collaboration between retailers, manufacturers and packaging manufacturers is key. Together we can capitalise on new technology, embed innovation into our DNA and all the while keep sustainability at the heart of our operations.

“We are packaging strategists delivering results for e-commerce customers.”

“E-commerce packaging is still in its relative infancy...”



Further reading

www.dssmith.com/ecommerce

www.nielsen.com