CHAPTER 7: RESEARCH FINDINGS PHASE 1

7.1 Introduction

Phase one of this study focused on the FMCG industry as a whole, although primarily, it gathered data from within the food and drinks sectors. The findings identified that the development of new products and their packaging involved a number of complex phenomena. Links between the management of packaging within the NPD process (RQ1), and the lack of a pipeline of new packaging developments (RQ2), were observed.

Figure 7.1 summarises the key findings of the research in graphical form. The phrases in the boxes on the left and right hand sides of the figure show the first order categories, which are then assembled into second order themes (the ovals), and finally into the central overarching dimensions (in the centre). These themes were established based on the results across each interview group (illustrated in Appendix 7.1, which provides an overview of some of the key quotes within each theme, and is divided up by interview group. This is not a complete version of the table used in the actual data analysis, but provides an illustrative overview). Table 7.1 (below) effectively summarises the tables used in the analysis (Appendix), expanding upon the themes in Figure 7.1 providing additional supporting evidence for each, in the form of representative quotes from the key informants underlying the second order themes.
Table 7.1: Table summarising key findings, themes, and categories.

<table>
<thead>
<tr>
<th>Overarching Dimension 1: Emphasis of development process and activities</th>
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<tbody>
<tr>
<td>1. Focus of activities in the NPD process</td>
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<tr>
<td>a.Extent to which developed/considered together/holistically</td>
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<td>b. Stage of consideration in process</td>
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<tr>
<td>c. Lack of internal process for packaging development</td>
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</table>
2. Barriers to technological change

d. Role of sunk equipment costs & production staff

One interviewee described how the packaging for the product the company produced was “just a paper bag”, thus “we just focus on getting the cheapest” [P7]

“we are a market leader [in the process used for their current packaging format] having driven costs to a minimum over many years, this is a key advantage, but it also constrains us. The further we drive down costs, the more we become tied to our format as the effect on our margin would be significant.....” [P7]

e. Resulting focus on incremental change

One interviewee described how the packaging for the product the company produced was just a paper bag, thus “marketing handles the label” and “...we just focus on getting the cheapest” [P7]

“its mostly about using an adopted format of packaging.... and applying that to a new product, the packaging doesn’t change much”. Thus in the case of new products the aim was to “utilise existing packs” with simple re-labelling where necessary [P9]

f. Influence of retailer

“even recently in a development project, we were considering a change that might not go down well with the retailer,.... this was a topic of great debate” [P12]

“any change that could impact on merchandising is considered to carry more risk, ... we’re always concerned of upsetting them” [P7]

g. Role & influence of own-brand suppliers/NPD

“the [retailers] focus is on the product, . . . [with a] technical manager creating a development brief, and the supplier comes back with a product and standard packaging. The process works by suppliers and commercial teams buying and developing products and packaging [together], [whilst] a separate team handles the design and artwork” [R1].

Choice of actual packaging for the product was largely down to the supplier as retailers “…are one step away as we buy the product from someone else, we are traditionally interested in the label…. And have little influence on the packaging itself, [which was] handled by the suppliers of the [core] product” [R1].

II. Management of packaging within the team & role of decision makers

3. Skewed and limited focus

h. Key members focus on core product

One interviewee described how “we are experts in xxxx refining, that is our strength…” the packaging for the product the company produced was “just a paper bag”, thus “we just focus on getting the cheapest” [P7]

“packaging innovation is not a priority,... its always somebody else’s problem” [C15]

i. Operational not strategic

One interviewee described how firms that outsourced development to design firms leads to the “lack of an internal network means don’t look at immediate needs, and... can look at the long term”, hence he described that outsourcing packaging it could become less “strategic”” [P10].

An example was highlighted within one large category leading product manufacturer where despite having a strategically orientated head of packaging this “head of packaged spends 2/3 of his time looking at why labels have fallen off... [this meant that] no one is looking into the future”, in many firms [I26].

[in the case of projects with agencies involved the focus was typically on design, as described in the section below]

j. Role of Marketing staff: A marketing communications focus

Within atop four retailer, it was described how the firm “develop specifications for the packaging”, but their “…focus is on the label, not so much the packaging”. [R6].

Marketing needs “…something to put our message on, . . . [therefore]... the main focus is in terms of putting a promotional message on to the packaging” [R4].

k. Role of Design staff: An aesthetic design & graphic design focus

“Our internal design team will develop a packaging concept or prototype, which is then taken to suppliers for costings ” [P10]

Firms with this focus were described as having, “Forgotten about packaging, [and were] more interested in graphic design” [I24]

[This orientation can also be linked to the findings with regards to design agencies, which are very commonly used by FMCG firms]

4. Degree of willingness to take risks
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<table>
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<tr>
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<tbody>
<tr>
<td><strong>Risk Averse to packaging change</strong></td>
<td>One interviewee, a packaging manager, described how in the case of one innovation “despite the efforts of some members” of the packaging team to push the Category Manager to adopt the packaging for a product line, he was too “risk averse” [R3]. “If they are willing to make change, then it is focused on small incremental improvements… without risking the brand”, and “bigger changes represent a risk”. [C15]</td>
</tr>
<tr>
<td><strong>Role of powerful buyers</strong></td>
<td><strong>m. Buyers and costs dominate decision making</strong></td>
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<td></td>
<td>[there is a] “Great focus on cost cutting” [R4]</td>
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<td></td>
<td>One interviewee described how it was “hard to get [clients] to try a new type of packaging if its going to cost more” [C20]</td>
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<td><strong>n. Act as Interface: Packaging suppliers role mediated by the buyer-supplier interface</strong></td>
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<td></td>
<td>“We have little involvement with purchasing the packaging suppliers themselves, that is handled by our suppliers [as own brand retailer] buyers” [R2]</td>
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<td></td>
<td>[the buyer interface gets] “In the way of effective communications.” [M33]</td>
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<td><strong>Overarching Dimension 2: Capacity for technical change</strong></td>
<td><strong>o. Lack of packaging champions to initiate/ drive development</strong></td>
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<td>“Few firms have a packaging technology team” [R3]. “there is no one inside the firm driving technology change” [M34]</td>
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<tr>
<td><strong>Lack of technical capabilities in NPD team</strong></td>
<td><strong>p. Degree of knowledge and expertise in team</strong></td>
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<td></td>
<td>NPD projects in FMCG firms vary in terms of how much they are “product driven, as opposed to packaging driven”, depending on “who is driving the project” [R4]</td>
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<td></td>
<td>“Many firms simply lack staff with sufficient expertise with regards to packaging…. particularly packaging technology.” [M33]</td>
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<td></td>
<td><strong>q. Role and incorporation of packaging employees in NPD</strong></td>
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<td></td>
<td>Within own brand development it was highlighted that “…it is up to the project manager whether…. or when…. They involve packaging [staff] in NPD projects” [R5]</td>
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<tr>
<td></td>
<td>“… there is no requirement…. [so] we don’t have to be involved in NPD projects” [P10]</td>
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<tr>
<td><strong>Meaning and language issues</strong></td>
<td><strong>r. Different meanings attached to development</strong></td>
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<td></td>
<td>“… we consider packaging from an early stage” However, later it transpired “our process focuses on understanding how aesthetic changes to our [existing packaging] influence consumer perceptions” [P10]</td>
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<td></td>
<td>In one product manufacturer, an interviewee described how “there is a person responsible for packaging constantly involved”. However it later became clear this person, a packaging buyer’s, “focus is on the label, not so much the packaging” [P7].</td>
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<tr>
<td><strong>Incorporation of supplier capabilities</strong></td>
<td><strong>s. Packaging suppliers role mediated by the buyer-supplier interface</strong></td>
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<td></td>
<td>The suppliers have little involvement in development of packaging their products as the “Main interface is with purchasing…. [which has a] cost focus” this “buyer interface is a big issue” [M33], particularly as “buyers get bonuses for getting packaging cheap”, thus the focus was on costs. “Packaging is bought by packaging buyers [within FMCG firms], whose aim is to save costs”, therefore the “buyer interface is a big issue” [M33], as they get “in the way of effective communications”.</td>
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<td></td>
<td><strong>t. Cost-transaction relationship</strong></td>
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<td></td>
<td>P7 discussed the relationship with suppliers “generally we are just looking for the cheapest” [P7]</td>
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<td></td>
<td>“supermarkets are the most difficult to work with… they are cost and logistic focused”, and therefore had little interest in packaging or innovation and “typically just use standard packs on their products” [M30]</td>
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<tr>
<td><strong>Role of design agencies: Skewed design view in development, &amp; a lack of focus on technology</strong></td>
<td><strong>u. Design agency ‘model’ &amp; its narrow focus</strong></td>
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<td></td>
<td>[the use of design agencies causes...] “issues [so] often arise due to “packaging that either cannot be manufactured or would be too costly to manufacture” [M34]</td>
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<tr>
<td></td>
<td>“successful packaging designers need to know technology, but they do not… some do [technology based] training, but very few…. They aren’t really interested enough or knowledgeable enough [in terms of technology]”. [I23]</td>
</tr>
</tbody>
</table>
Figure 7.1 displays the four central overarching dimensions influencing the management of packaging, key to the understanding of the results. These dimensions are also grouped into two larger domains: the capacity for technical change, and the management of packaging development within the firm. These domains are closely linked: each influencing the other. The figure is important for analytical purposes, because it provides a key overview of the emergent data structure. However, the diagram does not fully provide a dynamic insight into the processes involved, or how they work in motion. This will be displayed in the analysis section (Figure 7.3).

7.2 Characteristics of Packaging Management within the FMCG industry

The interviews revealed that the primary objective of the new product development process within FMCG firms was on the development of the core product. Packaging was a secondary and late consideration within projects. The development of packaging was characterised as ad hoc, with an emphasis on graphics and costs (both lowering unit costs and minimising capital equipment costs associated with change to the process). Managers were risk averse to any packaging changes. Technical packaging development and innovation received little or no attention.

The interviews provide evidence that these characteristics are related to and influenced by five issues within FMCG firms’ management of new product development:

I. The emphasis of activities in the NPD process
II. The members of the NPD team itself
III. A lack of packaging champions (technically focused staff in the development team)
IV. The lack of absorptive capacity
V. Language issues resulting in different meanings of development.

Each factor affected the contribution of packaging suppliers. The following sections explore the key findings in each of these areas.
7.2.1 Emphasis of the Product Development Process and Activities

The interviews revealed commonalities in the management of packaging by FMCG firms. The themes below group the most predominant aspects of management.

Emphasis of activities in the NPD process - the emphasis of the NPD process of FMCG firms was on the development of the core product. Where packaging activities were scheduled in the process, these were commonly late and primarily focused on the development of graphics and artwork, as opposed to technical development. As a result, the specification and development of the packaging itself often lacked rigour, due to the lack of a structured technical process; and teams tended to use existing packaging formats and technologies where possible. Hence packaging was only considered at a superficial level. For example, in the case of P12, it was suggested that whilst the stage gate form required packaging to be “specified from an early stage”, project managers would “list a particular format based on currently in use” on other products.

Packaging was considered at a late stage of the process. P10 highlighted that when developing products, it was possible for a team to effectively pay lip service to packaging until late on in the project. “It’s possible to just list the packaging to be used on the form, with no evaluation, it’s only later in the project that the implications of this become apparent”. One of the main consequences of this late consideration was that optimised product-packaging combinations were not sought, as the core product had already been developed by the time packaging was considered; thus the packaging had to be formed around the existing product. On occasions, this decision-making led to mistakes and rework, when the project reached the point at which the packaging had to be implemented and tested.

The final category identified within this theme was the lack of a specified and structured packaging development process. This led to inconsistent management of packaging within projects. This was particularly evident in an interview with the member of staff responsible for packaging within one FMCG firm, who stated, “we buy packaging off the shelf”, by “looking through the brochures of packaging manufacturers” [P9].
Barriers to Change - The results highlighted a number of barriers to packaging, and particularly larger technological changes. The sunk capital equipment costs in the production line of FMCG firms acted as a barrier to change due to the high cost of it. As a result, innovation can be characterised as short term (primarily concerning process efficiency and unit costs) and incremental; and minor changes were considered (e.g. graphics and design), whereas larger changes were not. Thus opportunities for larger packaging developments and innovations were overlooked. For example, where marketing staff were responsible for developing packaging, their ideas were frequently “shot down” [R4] by manufacturing staff concerned with the implications on the production line, thus impacting creativity. The desire to avoid process changes also negatively affected the level of collaboration with packaging suppliers. As a result, large technological and format changes were overlooked or avoided by the development team, and those smaller changes made were driven by the market.

Retailers influenced development for all product manufacturers, due to concerns that packaging change could lead to a retailer re-evaluating their decision on whether to stock the product or how it should be displayed. This meant that smaller changes, such as label changes, carried less risk. While it was possible to communicate with the retailer, avoiding risky format or technology changes was viewed as simpler.

Finally, in the case of own brand product development, production was outsourced to suppliers, with most activities undertaken by third parties [revealed by R1-6, M24-29, P8]. This was captured by R1: “The [retailers] focus is on the product…. [with a] technical manager creating a development brief, and the supplier comes back with a product and standard packaging. The process works by suppliers and commercial teams buying and developing products and packaging [together], [whilst] a separate team handles the design and artwork”. This meant that within the supply chain, the retailers’ NPD staff were not connected to the projects themselves. Thus retailers were further from packaging decisions and activities, and the choice of actual packaging was down to the supplier, as retailers “are one step away as we buy the product from someone else, we are traditionally interested in the label…. And have little influence on the packaging itself” [R1].

The issue of process costs was particularly acute in the case of own-brand products, and exacerbated by the fact that retailers did not produce the products themselves. Thus suppliers wanted to avoid investments that would primarily be of benefit to the
retailer. Combined with the product suppliers’ emphasis on unit costs (due to low margins), this hindered the adoption of developments, which had to be “pushed on to both the retailers and manufacturers, as the manufacturer will be happy with what they have got and want to keep costs low . . .” [P2]. Indeed, in some cases, suppliers would only consider changing if the retailer threatened to switch to a new one. Where suppliers were larger, however, this was difficult in any case, due to their “relative power” [P2].

7.2.2 Management of Packaging within the NPD team and the role of decision-makers

Skewed and limited focus - the interview results revealed that few firms had NPD team members focused on packaging, or packaging departments, although some had teams of buyers. This meant that within NPD, the responsibility for packaging decisions often fell between a number of staff, and was managed by non-packaging specialists (commonly buyers, marketing staff, product managers, or category managers). In each case, it was not this member of staff’s primary role or consideration. This further limited the possibility of a rigorous approach to the development of packaging and exploration of new opportunities, and decisions were often made based on the preferences of an individual team member. Hence there was no strategic or long term planning of packaging development.

It was possible to identify that the interests of each of the key NPD team members were often only on particular aspects of packaging. Allocating responsibility to a member of the team from a particular discipline resulted in a narrow or skewed focus in decision-making:

- Marketing members were primarily interested in the label and something to put their message on;
- Designers were focused on packaging graphics and aesthetics;
- Category/product managers were key to packaging format decisions and specifications. However, their level of interest in packaging varied, and their focus remained on the core product. It was also notable that many were risk averse to packaging changes;
- NPD and R&D focus on the core product and technical issues (e.g. regulations, food science);
- Buyers had a clear focus on cost, and were often responsible for contacting packaging suppliers and arranging supplies at minimal cost.
In the case of buyers, these staff were particularly influential, as illustrated in the following section.

Degree of willingness to take risks - the results revealed that FMCG firms were risk averse to making changes to their packaging, and concerned about the potential damage to their brand. Brand and category managers were particularly risk averse in their willingness to make changes. Even minor change was often avoided, or entailed extensive negotiations. For example, one interviewee noted that in a “project for xxxxxxx [a brand leading company]… [the client] wanted to change the packaging for some of their food products, but despite consumer testing showing that the packaging was more popular than the leading brand, they were still unkeen to try the ‘risky’ new packaging…” This was despite the fact that the packaging was actually “…not that risky, but [was] quite different from what they were currently doing”. Indeed, the interviewee suggested that packaging consultancies often had to “push clients to adopt… [new packaging], particularly for established products… as they don’t want to damage sales or the brand” [C18].

Role of powerful buyers - in some firms [particularly R1, R3, R6, P7], buyers played a particularly influential role in decision making, leading to an emphasis on reducing costs and the avoidance of investments in any production line change. In many cases, the packaging format used by the FMCG company was well established and had remained unchanged for many years; hence the format was undifferentiated and available from many suppliers. As a result, buyers were entrusted with responsibility to purchase that packaging (commodity) at the lowest possible cost. This limited the involvement of suppliers in development, due to a cost transaction relationship.

7.2.3 Absorptive capacity

Lack of Packaging Champions - The results highlighted a lack of packaging specialists within NPD teams, or in some cases a complete lack of staff within the firm. Where these staff did exist, their role was typically operational, and significantly, they were detached from the team and decision-making; although in a few cases, packaging design specialists were incorporated into the team. The lack of technical expertise and capability within the team resulted in a “lack of internal staff focused on the development of packaging and innovation” [P2]. This meant that there were no team members to ‘champion’ packaging and drive its development.
The lack of internal packaging champions also meant that there was nobody to act as an interface and facilitate supplier networking. Consequently, suppliers struggled to establish strategic and long-term collaborative relationships. Packaging was not regarded as an ongoing business activity.

Lack of Technical Capability in the NPD team - a lack of technical capability within the NPD team meant that firms did not harbour packaging development projects, and did not consult packaging suppliers to utilise their technology or innovative capability. This caused low levels of absorptive capacity, and communications with packaging manufacturers were typically limited to negotiating contracts and minor changes required to current packaging. This was also the case where design firms were utilised: this shifted the focus away from the potential for technological input, and resulted in an emphasis on aesthetic and graphic design.

Meaning and language issues - the interview findings revealed that key decision makers and NPD team members attached different meanings to the development of packaging. For example, marketing staff talked about packaging development being integral to NPD, but were actually discussing label changes [R4, C18, C20]; and similarly, design staff considered packaging development to be key, but were actually only considering basic aesthetic and graphic changes [P9, P11, C13]. As a result, the potential for technological development adding value was inadvertently overlooked.

The different meanings of development also created a ‘language’ barrier between FMCG and packaging firms, further hindering collaboration, as managers responsible did not foresee the potential for technological input. This was reflected in those firms which collaborated with design and marketing consultants, as opposed to packaging suppliers, due to FMCG firms’ inherent emphasis on these aspects.

7.2.4 Role and incorporation of external capabilities

Role and incorporation of packaging suppliers - the relationships between the packaging manufacturers and FMCG firms were in the form of basic procurement, with a buyer seeking the best price based on a set packaging design and

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1 This was also supported by the results of the interviews with Packaging Manufacturers, Consultants, and Industry bodies.

2 This was also supported by the results of the interviews with Packaging Manufacturers, Consultants, and Industry bodies.
specifications (pre-determined prior to the supplier's involvement). The relationship can be characterised as cost-transaction based, with suppliers having little meaningful involvement. The possibility for suppliers to provide technical input into the design or incorporate new technologies was therefore limited.

Role of design agencies - design agencies and consultancy firms [used by firms R1/R6, P7, P10, P11] further promoted the design and graphic level focus [particularly revealed in interviews with C16,18,20,24, M33,34], due to decisions being managed by these consultants and their natural emphasis on these aspects of the packaging, based on the capabilities. It also further limited the inputs of packaging manufacturers, who were primarily consulted for costing once decisions had been made.

7.3 Analysis: Development of Grounded Framework
The above findings highlight that the NPD processes of FMCG firms are largely focused on the development of the core product. Managers frequently have a myopic and skewed view of packaging, with an emphasis on its role as a simple vehicle to hold graphic design and marketing communications messages. Consequently, packaging development and innovation receives relatively little priority; and supplier cooperation is limited. Instead, decision makers are risk averse to change, and activities are orientated towards incremental improvements.

In this section, the analysis of the findings is presented, beginning with a classification of three types or levels of packaging change which result from the NPD of FMCG firms. The discussion will then move on to generate eight revised propositions (Figure 7.2) which, alongside the framework, feed into phase two. Based on the combination of the classification and propositions, a framework is developed that builds new understanding of the factors influencing the level at which firms focus. This framework conceptualises the management of packaging, and acts as a tool to understand how the management of packaging in NPD influences the type of activities undertaken, and the outputs that result from the process.
Conceptual Proposition (Chapter 5)

Proposition 1: The development of packaging will require the incorporation of the consumer into the NPD process.

Proposition 2: The power and influence of the retailer results in a need to consider the retailer, and the impact of packaging changes on the retailing of the product, in the development of packaging.

Proposition 4: The level of input and involvement of suppliers into packaging development will be dependant on a food and drinks firm’s internal technical packaging capability, due to the impact of this on packaging absorptive capacity.

Proposition 3: Packaging suppliers, and their technical capabilities, will play a key role in the development of packaging.

Proposition 5: External design consultancies, or agencies, will play a critical role in the development of packaging, due to their specialist capabilities.

Proposition 6: The process change costs associated with packaging changes will result in an avoidance of new developments that impact on the production line, and a subsequent focus on incremental and customer-driven packaging development.

Revised Research Proposition (Chapter 7)

Proposition 8: An emphasis on skin deep and body modification development will result in a consumer driven approach to packaging development. Subsequently the opportunities presented by packaging suppliers technological developments will receive a lower level of attention.

Proposition 5: A high level of concern about the impact of packaging change on the retailer, and their display of the product, will result in skin deep and body modification levels of change primarily being considered.

Proposition 1: An absence of internal packaging ‘champions’ will lead to a skin deep or body modification level of development, due to the lack of an individual actively pursuing new opportunities for product innovation.

Proposition 2: A lack of staff with technological packaging capability will result in opportunities for external packaging developments and innovations being overlooked due to a lack of absorptive capacity, which will in turn lead to a propensity towards skin deep and body modification developments.

Proposition 3: A lack of packaging specialists will lead to a myopic view of the meaning of ‘packaging development’, resulting in the development of innovative new packaging being entirely overlooked (and a subsequent focus on skin deep and body modification in development).

Proposition 6: The propensity to collaborate with suppliers will be influenced by the packaging development orientation (skin deep, body modification, or format change orientation). A skin deep or body modification orientation will lead to a greater propensity to collaborate with design and marketing firms in development, resulting in technical opportunities not being explored, whilst an orientation towards format change result in a greater propensity to collaborate with packaging suppliers.

Proposition 4: The degree to which the manufacturing process is viewed as a constraint will harm a firm’s ability to explore opportunities for technical packaging change. Leading to an emphasis on incremental changes at a skin deep and body modification level.

Proposition 7: Where buyers have a high level of power within packaging decision making this will result in an emphasis on costs. Which will in turn lower the attention technical packaging development, and opportunities for innovation, receive.
7.3.1 Classifying Packaging Change

FMCG firms focus on packaging at one of three levels (Table 7.2), classified as: skin deep, body modification, and format change/innovation. To understand these levels and their implications, they are related to the well-known scale of penetrating properties of radiation, whereby alpha radiation (skin deep) travels only a few centimetres in air, beta radiation (body modification) travels tens of centimetres in air, and gamma radiation (format change) travels many metres.

This scale can be used to construct a simple classification for levels of packaging change. Skin deep packaging changes equally have the least penetration change. Some firms consider this level of change to be developing new packaging: yet it often involves little more than reprographics, such as creating new labels for cans of soup. Body modification packaging changes penetrate further to the product, but fall short of a change to the format (can, bag, pouch). Here, the emphasis is primarily on changes to the bag, for example, to make it easier to open. Format changes and innovation represent a fundamental change: for example, moving from can to pouch or from polythene bag to cardboard tube. The former two levels of change were particularly evident in firms working with specialist design agencies.

Table 7.2: Typology of packaging penetration properties (alpha/skin deep, beta/body modification, gamma/format change)

<table>
<thead>
<tr>
<th>Level of Packaging Change</th>
<th>Penetrating properties of packaging</th>
<th>Penetration of packaging change</th>
<th>Absorptive capacity</th>
<th>Technology capability</th>
<th>Evident in firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skin Deep</td>
<td>Alpha</td>
<td>1. Reprographics and artwork</td>
<td>Low</td>
<td>Low, little technical or general packaging capability. Largely marketing and reprographics.</td>
<td>R1 and 6, R3, P9, P8, P11. Also reflected in orientation of marketing agencies when recruited in development.</td>
</tr>
<tr>
<td>Format Change or Innovation</td>
<td>Gamma</td>
<td>3. Plus format/technological change</td>
<td>Extensive</td>
<td>High, industrial design and technological capabilities</td>
<td>R5, P12.</td>
</tr>
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3 Firm undergoing a period of change and just hired technical specialists; findings suggested moving into this level of focus at time of research.
7.3.2 Packaging Capacity in the NPD Team

Within the NPD teams of FMCG firms, there was a lack of packaging capability and packaging focused staff. Such staff were either completely non-existent, lacked technical expertise (either being design or reprographics focused), or were not incorporated into NPD. The existing literature has identified the role of ‘heavyweights’ in NPD (Clark and Fujimoto, 1991). Our results provide new insights into how the lack of staff performing this role for packaging (whom we label ‘champions’), and their absence from the NPD team, resulted in nobody actively seeking or championing the opportunities which packaging could provide. Hence we develop the following proposition:

**Proposition 1:** An absence of internal packaging ‘champions’ will lead to a skin deep or body modification level of development, due to the lack of an individual actively pursuing new opportunities for product innovation.

In addition the results identified that the absence of technical staff contributed to a lack of absorptive capacity within firms (Cohen and Levinthal, 1990); and as a result, they did not cooperate with packaging suppliers in a meaningful way or recognise the potential for their technical input. Leading us to develop the following proposition:

**Proposition 2:** A lack of staff with technological packaging capability will result in opportunities for external packaging developments and innovations being overlooked due to a lack of absorptive capacity, which will in turn lead to a propensity towards skin deep and body modification developments.

The results also revealed a deeper, underlying problem: namely, that lack of technical capability negatively affected firms’ ability to benefit from and seek out external technical developments. In such NPD teams, there was a lack of recognition that packaging changes could extend beyond label (skin deep) and design (modification) changes. Hence the ‘language’ problem, which led to different meanings of ‘development’ within firms. As a result, technical development was entirely overlooked within the team. Thus:

**Proposition 3:** A lack of packaging specialists will lead to a myopic view of the meaning of ‘packaging development’, resulting in the development of
innovative new packaging being entirely overlooked (and a subsequent focus on skin deep and body modification in development).

Finally, it is also worth noting that the absence of technological packaging expertise was compounded because responsibility for packaging frequently rested with general members of the NPD team, such as marketing managers. This contributed to the myopic view of packaging, and a skew towards a particular facet of it, such as emphasising marketing communications on the label.

7.3.3 Perceptions of flexibility in the production process

The sunk capital equipment costs in the production line acted as a barrier to change, due to the perceived investments required. As a result, innovation was characterised as short term (concerning primarily process efficiency and unit costs) and incremental. Changes were driven by design and the market, with opportunities for technical development (technological and format change) overlooked. The importance of process change costs and the emphasis on efficiency is not a significant revelation in itself (Utterback and Abbernathy, 1975; Benner and Tushman, 2002). Indeed, these switching costs and the installed base are issues that commonly impede the adoption of new technologies (Rogers, 1995). However, our research provides new insights: suggesting that this view of the production line results in firms being unwilling to examine or explore opportunities for technical change, due to the perceived costs involved. Thus:

**Proposition 4:** The degree to which the manufacturing process is viewed as a constraint will harm a firm’s ability to explore opportunities for technical packaging change: leading to an emphasis on incremental changes at a skin deep and body modification level.

7.3.4 Role and power of retailers

The above has focused on factors within the firm influencing the level of change pursued. However, the retailer was also found to influence the levels of packaging change. Managers within FMCG firms expressed concern about the potential impact of packaging changes on the merchandising of the product. Thus any change that might alter the shelf space, or the possible positioning or display of the product, were considered to have a higher risk associated. Indeed, firms were fearful of upsetting
retailers and affecting the status quo. Minor changes, which would not impact on the display or retailing of the product, were preferred instead:

**Proposition 5:** A high level of concern about the impact of packaging change on the retailer, and their display of the product, will result in skin deep and body modification levels of change primarily being considered.

### 7.3.5 Design agency and supplier input

The emphasis on the design and communications aspects of packaging is arguably understandable, as firms seek to concentrate on their capabilities of developing and marketing the core FMCG product. However, combined with their lack of collaboration with technical partners, this resulted in opportunities for innovation and new packaging formats being overlooked. The language issue in particular affected relationships with packaging suppliers, as it was clear that interviewees considered ‘development’ to mean label or aesthetic design changes. This in turn meant that they overlooked the need to collaborate with packaging suppliers, as their understanding of packaging effectively did not reach this level of change. Thus we propose:

**Proposition 6:** The propensity to collaborate with suppliers will be influenced by the packaging development orientation (skin deep, body modification, or format change orientation). A skin deep or body modification orientation will lead to a greater propensity to collaborate with design and marketing firms in development, resulting in technical opportunities not being explored, whilst an orientation towards format change result in a greater propensity to collaborate with packaging suppliers.

Similarly, suppliers were involved earlier and to a more meaningful level in cases where firms were orientated towards format change. These findings build on existing literature on supplier relationships (Lincoln et al., 1998; Petersen et al., 2003; Chung and Kim, 2002; Lambert, 2008), providing novel insights into the impact of an emphasis on alpha and beta level change on the purchasing relationship with suppliers, which can be characterised as transaction cost in nature (Wynstra et al., 2010).

Finally, buyers had a great deal of influence due to responsibility for packaging
frequently being allocated to them, and the high percentage of well established and undifferentiated packaging formats used by many FMCG firms. This led to packaging becoming largely a purchasing decision/task; hence the NPD team would frequently specify a standard type of packaging, then entrust buyers to purchase it at the lowest possible cost. This led to a heavy focus on cost, which acted as almost the sole criteria in supplier selection, as Bomsel and Roos (1990) suggest. The buyer interface had a significant influence, limiting supplier input still further:

**Proposition 7:** Where buyers have a high level of power within packaging decision making, this will result in an emphasis on costs; which will in turn lower the attention which technical packaging development, and opportunities for innovation, receive.

Figure 7.3: Framework of Packaging Management in NPD
The above findings are reflected in figure 7.3, which highlights the relationships between these key aspects of packaging management, and relates this to the typology of skin deep (alpha), body modification (beta) and format change (gamma).

### 7.4 Summary and Conclusions from Phase One

This chapter has characterised the management of packaging within NPD in the FMCG industry. The preceding chapters have revealed that prior research in marketing has primarily focused on packaging at the level of marketing communications, and have failed to appreciate the complexities of new packaging development. The conceptual framework, combined with the typology of packaging penetration, provides insight beyond the superficial level of prior research, and captures the key factors determining the level of emphasis within a firm’s packaging activities. This will be developed upon in the phase two findings, discussed in the following chapter.

The findings contribute to existing models of NPD: deepening understanding of packaging development (e.g. Francis et al., 2006; Francis, 2009; MacFie, 1994; Bigliardi et al. 2010). The analysis has shown that among many food and drinks firms, packaging development is solely occurring at a skin-deep level, while body modifications and new packaging formats are being overlooked. The findings also provide new insight into the problem of a lack of a pipeline of new packaging innovations (Ahmed et al., 2005). Each of these areas will be examined and explored further in phase two of the research, which aims to apply the model to a number of cases and establish its validity.