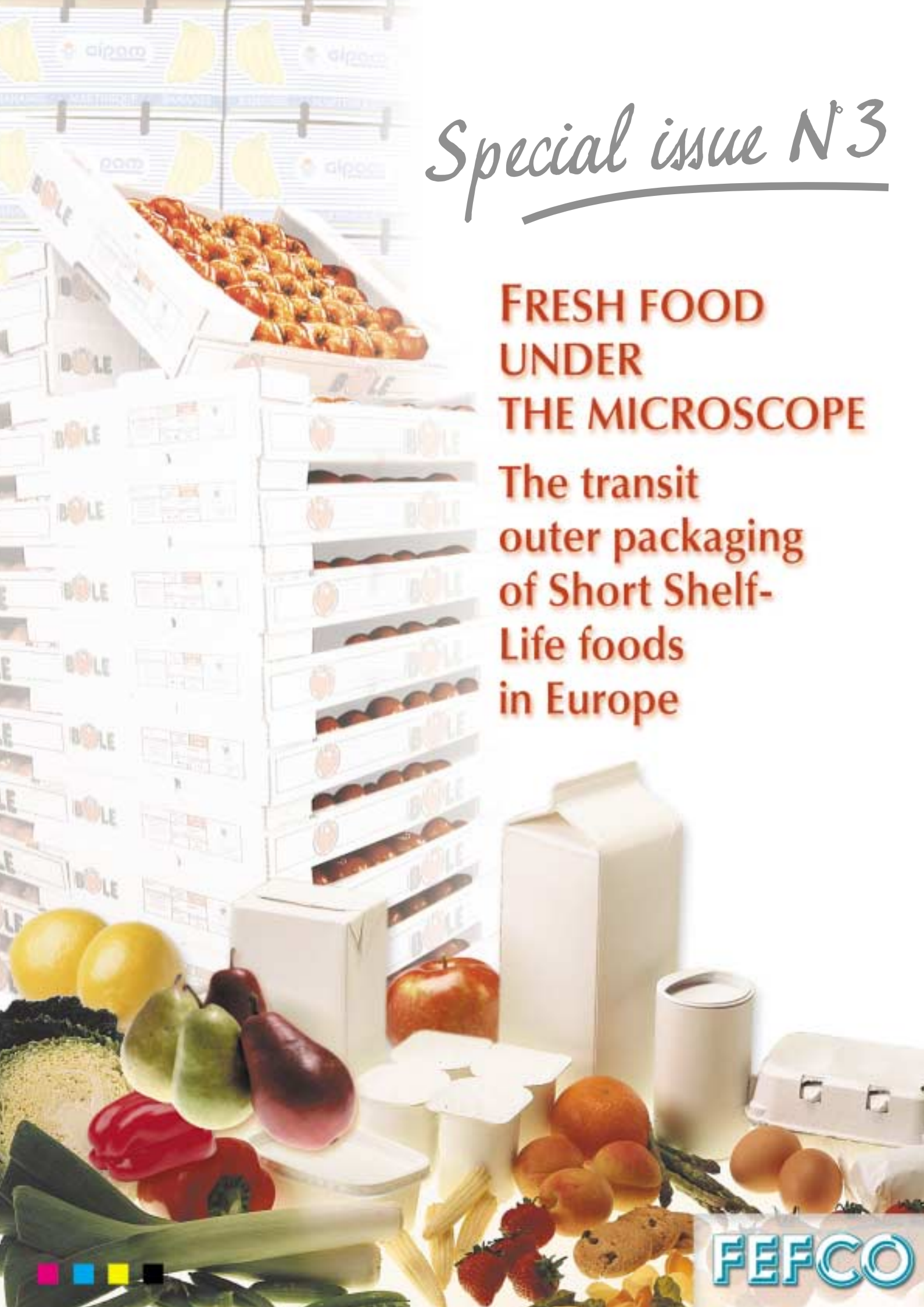


# *Special issue N°3*

## FRESH FOOD UNDER THE MICROSCOPE

The transit  
outer packaging  
of Short Shelf-  
Life foods  
in Europe



# Corrugated : the world's favourite packaging

## Introduction

The research findings summarised in this newsletter are based on a Pan European quantitative and qualitative research survey conducted by Marketpower Ltd UK.

The research method included thorough and comprehensive desk research as well as fieldwork consisting of a series of 248 interviews with retailers, growers, packers/fillers, logisticians, industry experts and various trade organisations.

### Research objectives :

- Obtain a detailed and rational examination of the current use of transit packaging for Short Shelf-Life foods in Europe.
- Understand the attitudes of retailers, packers & fillers and growers on packaging performance characteristics.
- Understand problems associated with handling of packaging in the retail outlets.

### Scope :

- Short Shelf-Life foods covered :  
Fruit & Vegetables, Meat, Poultry & fish, Dairy products.
- Regional coverage :  
Belgium, France, Germany, Italy, Netherlands, Spain, UK.
- Subjects covered :  
The Short Shelf-Life foods markets, the transit packaging of Short Shelf-Life foods, pack performance attributes, influence on packaging choice and handling of packaging.

Whilst total demand for corrugated has been growing steadily for years and will continue to grow at an average of 2 to 3% per year, the Short Shelf Life foods sector, (including fruit & vegetables, meat and poultry as well as dairy products) has been challenged by competitive packaging materials for a few years now.

Before outlining the results of the in depth analysis of the packaging of Short Shelf-Life foods, it is helpful to examine the reasons why corrugated continues to gain market share in ambient foods whereas in Short Shelf-Life foods, RPC's (Returnable Plastic Crates) have acquired a certain position.

Historically and in the future, corrugated will be favoured for most FMCG markets because of its :

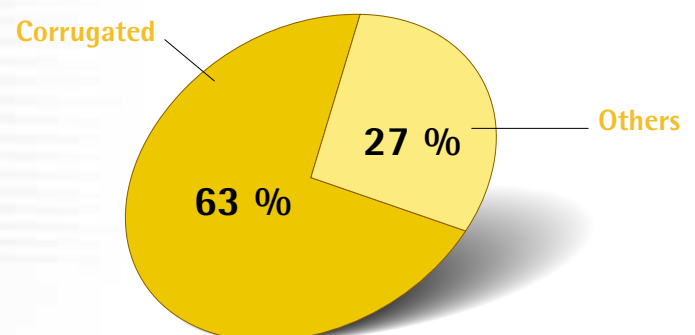
- relatively low cost
- high speed filling characteristics,
- environmental attributes,
- and its merchandising appeal.

For packaged products, the advantages of corrugated containers are outstanding : they can be packed at speed, they can be designed to be very efficient for in store merchandising and their large printing surface can be used to spread useful information such as bar coding, tagging and any type of marking. Corrugated containers also contribute to establishing a strong brand identity and enhance product differentiation.

Authoritative analyses of the main European transit pack types in FMCG (Fast Moving Consumer Goods) markets show that corrugated, with a current 63 % market share, remains by far the favourite transit packaging with almost two thirds of the total volume of consumer products packed. Thanks to the unique benefits of corrugated, its market share has remained strong. A similar trend is expected for the future.

### Corrugated remains the leading type of transit packaging in European FMCG markets

Source : Marketpower



## The Packaging of Short Shelf-Life foods

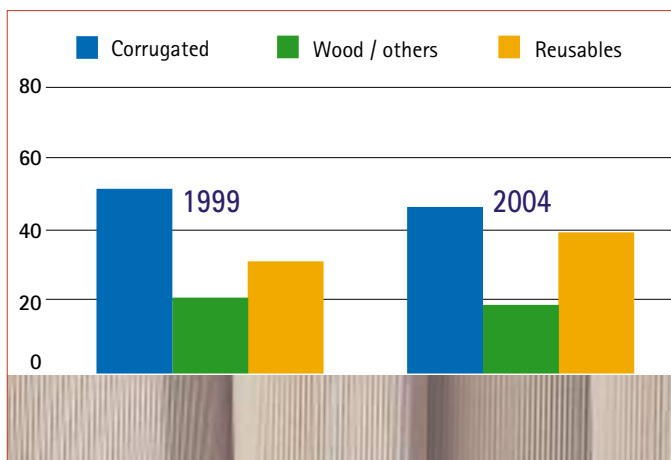
Despite corrugated's overwhelming strength as a transit outer pack, FEFCO believes it is important to understand and analyse the perceived benefits compared to other types of packaging in the Short Shelf Life foods sector, hence its reason for commissioning the survey.

Returnable Plastic Crates has obtained a place in the Fresh food sector because in this sector one is confronted with slow filling speeds, complex and expensive distribution systems and a lack of powerful brands.

Although RPC's have managed to achieve a 31 % share of total retail sales of Short Shelf-Life foods in Europe, corrugated packaging remains by far the leading transit packaging with a share of 48.2% of total retail sales volume. Furthermore, corrugated is expected to remain the leading pack type for Short Shelf-Life foods over the next 5 years. Reusables will gain at the expense of other types of packaging.

### Market Shares of Transit Outers used for Short Shelf-Life foods based on share of Retail Sales (%)

Source : Marketpower



#### Diagram n° 1

Since the introduction of reusables on the packaging market, there has been a steady decline in wood. The market share of corrugated has kept pace with the development in the market, underlining its unique benefits.

Diagram 1 shows that, for 2004, the market share of corrugated in the fresh food sector is forecast to remain practically stable. Despite all the claims and the allegations of the competition the share of RPC's remains very small.

Moreover, Short Shelf-Life foods represent only about 14% of total demand for corrugated in Europe. The remaining 86% thus has a far stronger position than plastic crates. In the broad based ambient food market, there are many problems and costs in manufacturing, logistics, merchandising and display, which can be solved much more efficiently by corrugated packaging.

This survey has been very clear in identifying the main reasons why reusables have not gained the successes claimed by their supporters.

## In fact, there are many factors which are likely to limit the growth of RPC's.

### • Cumbersome : logistics of supply and control of pool are awkward to manage

Reusable systems operate best within a tightly controlled loop where the frequency of supply enables an efficient collection of used containers to be established. Such loops are always very difficult to maintain but are possible within localised markets rather than longer haul markets. There are many problems associated with the management of a pool; these include the difficulty in managing seasonal and unpredicted peaks as well as seasonal and regional imbalances in supply and demand which result in containers being in the wrong place at the wrong time.

### • Hygiene : much handling and poor results

The washing and cleaning issues are also big concerns, especially since different washing cycles are required for different applications resulting in confusion and less than perfect results. Corrugated boxes on the other hand are always fresh and clean.

### • Expensive : additional and hidden costs

System costs are highly volume dependent and problems of availability can result in excessive costs in back hauls and pick-ups. Pool seepage and losses through breakage are also extra costs to be borne by the reusable system providers or the whole supply chain.

It is now widely accepted that the transport element of costs is higher for reusables than for single trip materials due to their heavy weight. Furthermore, the main cost burden lies with the grower or packer, not the retailer and this issue is clearly critical in replies to questions put to respondents on the perceived advantages of corrugated and reusable packaging.

### • Low efficiency : rotation rates

In some segments, rotation rates for plastics can be as low as 3-4 per annum. This of course has a very significant impact on the financial viability of the system in the long term.

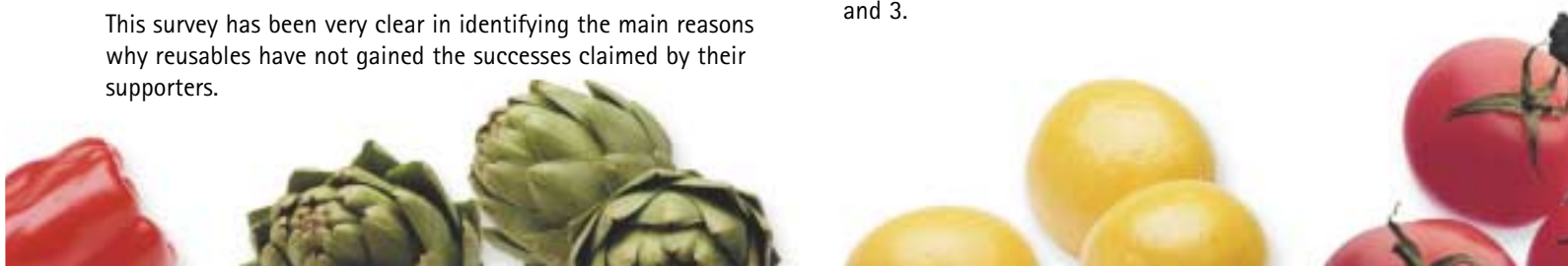
### • Growers prefer corrugated : image, handling, price

Growers/packers continue to favour the use of corrugated compared to reusables, mainly for its printability and its flexibility and they widely criticise RPC's for their higher costs.

### • Inefficient : lack of a universal European system

Pool systems dominate in Northern Europe, bespoke retail systems dominate in UK and supplier-owned systems dominate in Italy and Spain although there are signs that this is now changing as the larger pool system providers begin to develop their business. Today there is an increasing interest in universal pool systems but there is little evidence to date of a concerted drive towards a common system.

The adoption of reusable packaging is complicated by the fact that the Fruit and Vegetable supplies in Supermarkets in Europe come from a number of destinations as shown in Diagram 2 and 3.



## Sources of Supply of Fruit

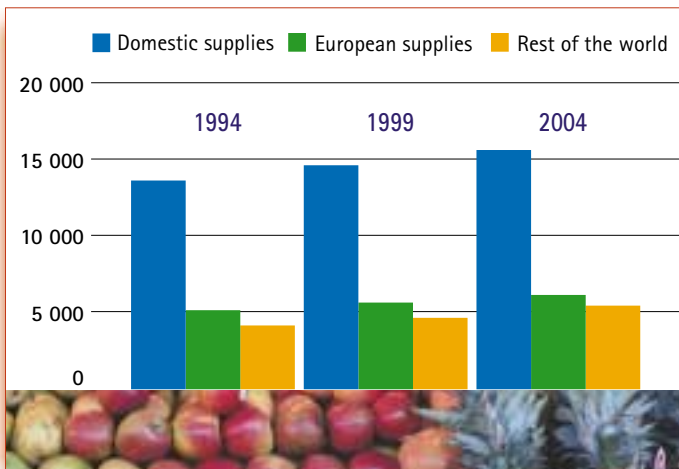


Diagram n° 2 – Source : Marketpower

Domestic sources accounted for 56.5% in 1999, down from 60% in 1994. Further erosion is forecast for the next 5 years.

Domestic supplies account for the lion's share of demand in Italy and Spain but represent well below 10% in the UK and under 20% in Germany. Non-European suppliers enjoy the highest share within Belgium and the UK; Belgium is well known for being a landing point for re-distribution and re-export, while the UK's ties with the Commonwealth ensure that trans-oceanic supplies of such produce as oranges continue to account for a high percentage of total usage.

Changing consumer preferences such as increased demand for bananas and specialised exotic produce will certainly increase supplies from overseas markets in the future.



## Sources of Supply in Vegetables

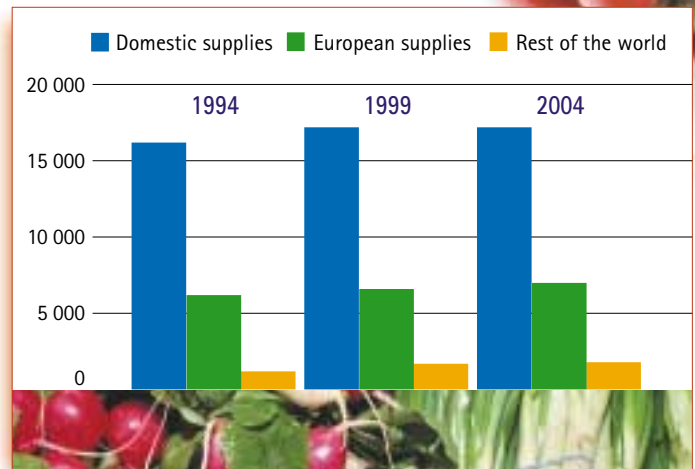


Diagram n° 3 – Source : Marketpower

Domestic producers supply a greater proportion of vegetables to the seven countries, with more than two-thirds of total usage coming from internal resources.

However a slight fall to around 65% is anticipated over the next five years as European tastes continue to develop; as demand for exotic vegetables increases to the detriment of traditional basic products, such as cabbage and cauliflower; and as markets increasingly demand seasonally grown crops throughout the year.

Ctifl Hortimage



## Corrugated is not just a box :



*Corrugated, it's a new clean box each time !*

*Corrugated, it's light and robust, lift it - and you will choose it !*

*Corrugated, it's there when you need it !*

*Corrugated helps you stand out from the competition !*

### Key pack performance attributes

Among the main attributes stated by retailers and packers/ fillers for their choice of transit packaging for Short Shelf-Life foods are hygiene, strength, cost, space taken up in storage, recyclability and appearance.

Corrugated scores well for all these attributes and the only areas where reusables can demonstrate a distinct advantage are in strength and moisture resistance.

### Retailers' main reasons for using reusables

The multiple retailers interviewed gave four main reasons for using RPCs : the logistics advantages (such as standardisation and interstackability), the environmental considerations, cost and product protection.

#### • Standardisation and stackability

These issues are logistics related and they account for 24% of all mentions. Despite the inconvenience of having a limited number of sizes and the consequences that may result in terms of logistics, retailers definitely prefer more standardised packaging. For these reasons, the corrugated industry is currently tackling this issue. In the US, a corrugated produce container modularity standard has been launched and Europe is moving towards this direction.



#### • Environment

This argument accounts for 17% of all mentions. It seems that despite any valid evidence, reusables are perceived to be more environmentally friendly, because of their repeated use.

This is one of the main misconceptions corrugated will have to fight against. Corrugated packaging does not involve washing and does not increase transport costs or the number of kilometres covered within the supply chain. It also offers exceptional stacking and space utilisation which guarantees optimum loading of trucks meaning far less trucks on the road. And of course it is recyclable and effectively recycled.

- **Cost**

This is a legitimate concern. This survey reveals that cost accounts for 16% of all mentions. This means that retailers probably perceive the returnable packaging solution as cost effective. Packers/ fillers perceive this issue totally differently. From their point of view, cost is one of the most often cited advantages of corrugated, accounting for 19% of mentions, and this implies that reusables are more expensive to use.

If we cross check this conclusion with other findings from the report, it seems that the cost of using reusables is not equally shared between all the players in the supply chain. Packers/ fillers appear to bear some of the unforeseen and hidden costs stemming from this new packaging concept.



- **Product protection**

This accounts for 12% of all mentions. Corrugated packaging offers excellent product cushioning especially for delicate fruits. It gives the benefit of using a single trip pack which is crucial today, given the acute concerns over the use of RPC's where washing standards cannot be properly controlled all along the chain, giving rise to real concerns over sanitation problems and possible contamination.

The above four factors account for 80% of all mentions. In addition to all the benefits of corrugated, in many cases corrugated packaging is able to provide effective solutions to respond to these essential concerns and often more effectively than reusables. There is obviously a lack of communication concerning the benefits of corrugated packaging, and widespread misconceptions that need to be fought against at industry level.

## A long life is forecast for corrugated

*The survey reveals that, based on retail demand, corrugated is the preferred type of transit pack for Short Shelf-Life foods in Europe, with a current share of 48%. The survey predicts that corrugated will remain the favourite packaging for many years to come.*

- **Excellent protection**

*Thanks to its fluted construction and its shock absorption properties, corrugated efficiently protects products even over long distances. Its stacking and resistance to vertical compression are well known and its strength to weight ratio is unique.*

- **Space efficient**

*It is robust and lightweight, therefore optimising space efficiency and limiting considerably the weight that has to be lifted by in-store merchandisers.*

- **Clean and hygienic**

*Corrugated offers a clean new container each time, therefore limiting contamination problems often associated with re-use*

*of packaging for Short Shelf-Life foods. It does not require any washing, cleaning or drying which unnecessarily increase costs within the supply chain and add to the environmental burden.*

- **Sales promotion**

*Corrugated is an efficient marketing tool; it can improve sales and help the product stand out from the competition. Corrugated is an effective medium for informing consumers about the quality and origin of the product they buy.*

- **Environmentally sound**

*And of course it is made from natural and renewable resources and after use, as it is 100% recyclable, it becomes new paper again for the benefit of our environment. Corrugated has one of the best recovery and recycling records of any packaging material on earth and it is one of the few packaging materials that reaches the target set by the European Directive on Packaging and Packaging Waste.*

**It is thanks to these competitive advantages that corrugated packaging has continued to perform effectively and competitively in the Short Shelf-Life food sector and will continue to do so for many years.**



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