



## ECR Europe report identifies key principles for implementation of Shelf Ready Packaging

The potential benefits of Shelf Ready Packaging are obvious. Deployed well, it could massively reduce the amount of work retailers undertake in 'the last 50 metres' of the supply chain (getting goods onto store shelves), improve environmental impact (less wasted cardboard and plastic), while improving on shelf availability. So it represents a possible 'win-win' for consumers, retailers and manufacturers.

So why isn't the industry making faster progress? The answer is simple: lack of effective cooperation. By definition, Shelf Ready Packaging (SRP) requires close cooperation between the retailer and the manufacturer: they need to design the system together. But there may be disparities of investment and benefit: it might require significant investment by manufacturers into new machinery and process, while the main benefits may be felt by retailers in store. So the 'wins' for manufacturers need to be clearly identify.

What's more, these wins might not materialise if every retailer develops its own bespoke system. If this happens, retailers

collectively will end up imposing uneconomic complexity on their suppliers: what's needed is some common, industry-wide approaches. It needs cooperation at further levels.

The ECR Report 'Shelf Ready Packaging, Addressing the challenge: a comprehensive guide for a collaborative approach' addresses these thorny issues. SRP should be built on top of existing standards (e.g. for optimized pallet and roll container utilization, and for pallet identification), and partners should minimize the number of SRP executions. They should not allow proliferation of design variants or pack sizes, for example.

The report lays out five key principles for successful SRP implementation. They are:

- Easy identification: e.g. visual identification, bar codes, etc
- Easy open: e.g. simple instructions, no need for special tools, safety considerations
- Easy shelf replenishment: e.g. packaging stability and space optimization
- Easy dispose, including returnable and reusable transit packaging
- Easy shop: e.g. easy to identify, simple to handle

The effects of SRP need to be considered at each step on the way from factory floor to shop floor, along with related environmental impacts. Because the requirements of each product and category are so different, "SRP cannot be considered as a standalone best practice, whose generalization would bring substantial and measurable

benefits at the industry level," the report warns. "Its implementation should follow a case-by-case iterative, rather than systematic or dogmatic approach."

The report outlines an eight-step process for implementation along with guiding principles to keep the project on track, and an in-store execution audit. The full report can be downloaded from the ECR Europe website.

[www.ecrnet.org](http://www.ecrnet.org).



## Can building trust suffer from diminishing returns?

Generally speaking, consumers do not trust big businesses, including retailers. However, food retailers fare slightly better than others in the trust stakes: if retailers play their cards right, they could capitalize on this advantage. But how?

Research by Pavlos Vlachos at Eltrun (Athens University of Economics and Business) investigated two aspects of consumers' willingness to trust supermarkets. First, do different aspects of retail offerings such as service quality, price, satisfaction and value have different effects on consumers' levels of trust? Second, do any of these elements of the retail offer display 'quadratic' or non-linear effects?



Quadratics don't create straight lines where  $y$  gets bigger proportionately to  $x$ . Instead the relation between  $x$  and  $y$  changes for different values of  $x$ , so that the graph takes the form of a 'U' or an inverted 'U'. These U-shaped curves depict exponential returns (when small changes generate big rewards), diminishing returns (when 'more of the same' delivers declining rewards) and 'too much of a good thing' (when more actually means worse).

The research, conducted among 942 supermarket shoppers in the Attica region of Greece, was designed to tease out the twin possibility that some retailer initiatives might have very large effects on trust – but that too much of the same initiative might lead to diminishing or even counter-productive effects. (It is possible, for example, that some offers may seem 'too good to be true' and breed suspicion rather than trust.)

As expected, the results reveal a complex interplay between different elements of the retail offering. Service quality, satisfaction and value all show direct positive effects on consumer trust. Along the way, service quality and value also affect degrees of customer satisfaction, while service quality also significantly influences value perceptions.

Intriguingly, service quality and satisfaction also show diminishing returns when it comes to trust. Once past a certain level, further improvements in these elements of the retailer's offer do not deliver further increases in trust.

The research also throws up one surprising result. Unlike service quality and satisfaction, perceived value does not experience diminishing returns when it comes to trust. "Economic value is both a necessary and sufficient condition for further enhancing trust perceptions," concludes Vlachos. This may be because of the broader emotional signals generated by retailer pricing strategies: "Lower perceived value might signal efforts on behalf of the retailer to treat consumers in a fair and equitable manner", he suggests.

What are the practical implications of this research? One possible application is trust-based customer segmentation. Among less trusting customers (the majority of customers for most supermarkets) investing in initiatives which improve service quality and satisfaction should deliver high returns, suggests Vlachos. However, when consumers already have a trusted relationship with their providers, further investment in initiatives that improve service quality and satisfaction may deliver diminishing returns. Instead, managers should retain maintain levels of investment in these areas and focus resources on generating favorable consumer value perceptions.

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*Pavlos Vlachos is Gold winner of the 2006 ECR Academic Panel Student Awards.*

*The Silver award went to Dirk Weissbrich and Felix Weispfenning of Bern University, Switzerland for their paper on 'How to lever store price image without actually adjusting prices.'*

*The Bronze award went to Merijn van Loo of the Technische Universiteit, Eindhoven for his paper on "Reducing out-of-stocks for promotions".*

## Could innovative retail services be the driver behind RFID adoption?

*By Dr. Katerina Pramataris (Dept. of Management Science & Technology, Athens University of Economics & Business) and Professor Arnd Huchzermeier (WHU – Otto Beisheim School of Management, Germany)*

In a consumer survey conducted between Nov 2006 and Jan 2007 in Greece and Germany, consumers were asked to express their attitude towards innovative retail services. These services were identified in focus groups with innovative consumers and range from simple ideas not relating to technology such as 'well informed and friendly personnel-expert staff' to services highly dependent on new technologies such as 'self-checkout'<sup>1</sup>. Interestingly, consumers both in Greece and in Germany place 'expert staff' on top of their preference list (see Figure 1 on page 8).

However, the second most valued service in both markets is 'dynamic pricing', referring to the concept of setting different prices for the same product depending on its sell-by date, product quality, packaging etc. This service, while highly valued by consumers, cannot be implemented on a wide scale unless technologies enabling unique item identification, such as RFID, are employed. Other services highly valued by consumers, such as 'trolley-scanner' and 'dynamic promotions', also rely on RFID for efficient deployment.

It thus appears that consumers appreciate the services enabled by RFID technology, leaving aside concerns about privacy issues, as

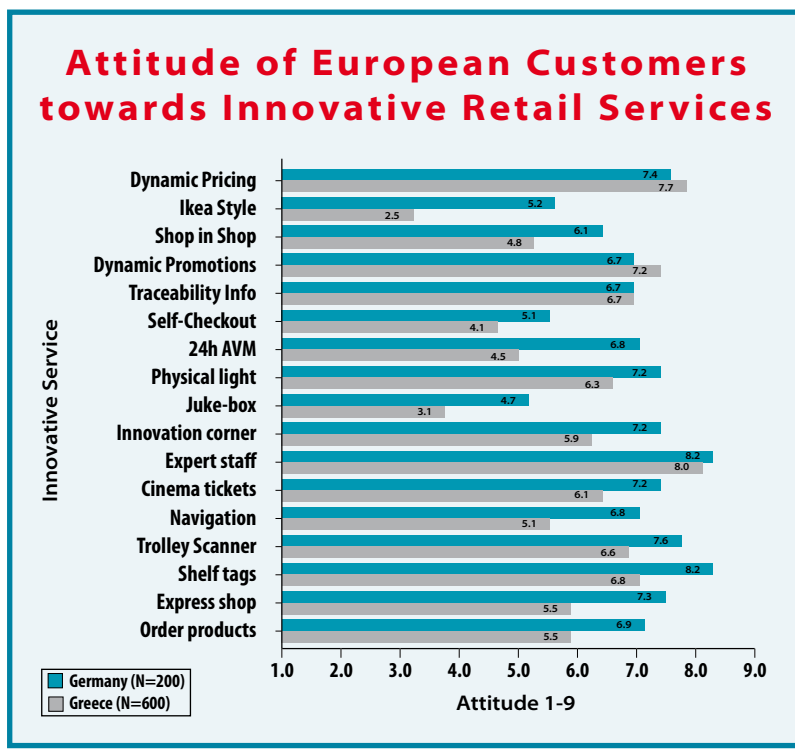


Figure 1: Consumer Survey Results, Nov 2006 – Jan 2007

they don't associate the service they get with the enabling technology. On the other hand, industry representatives portray an opposing view. A survey of 76 senior executives of grocery retailers and suppliers from different European countries, including Germany and Greece, shows that they believe RFID

will mainly impact supply-chain operations rather than the in-store consumer experience and demand generation (see Figure 2). When asked to select the top three impacts for their company, they selected 'product safety and traceability', 'shelf availability' and 'supply-chain cost reduction'. They also see an

opportunity to enhance information sharing with supply-chain partners. It remains to be seen how these different expectations of RFID will affect its eventual adoption in grocery retailing.

<sup>1</sup>. Theotokis, A. (2007) 'Value creation through in-store retail services: involving innovative customers in new service design' ECR Europe, 2007 Student Paper Award. Acknowledgement: This work has been partly funded by the European Commission through the IST Project SMART: Intelligent Integration of Supply Chain Processes and Consumer Services based on Unique Product Identification in a Networked Business Environment in a Networked Business Environment (No. ST-5-034957-STP) ([www.smart-rfid.eu](http://www.smart-rfid.eu)).



## Stop! Thief! Effective ways to tackle staff dishonesty

Petty theft may be petty, but for large retailers the costs add up. Research by Adrian Beck, Reader in Criminology at the University of Leicester for ECR Europe\* suggests that two things – the development of a "culture of intolerance for dishonesty", and removing opportunities for 'easy' thefts – can go a long way to reducing levels of theft. Job dissatisfaction is also a factor.

Beck's research breaks new ground by actually talking to staff dismissed for theft, asking them why they did it, and how.

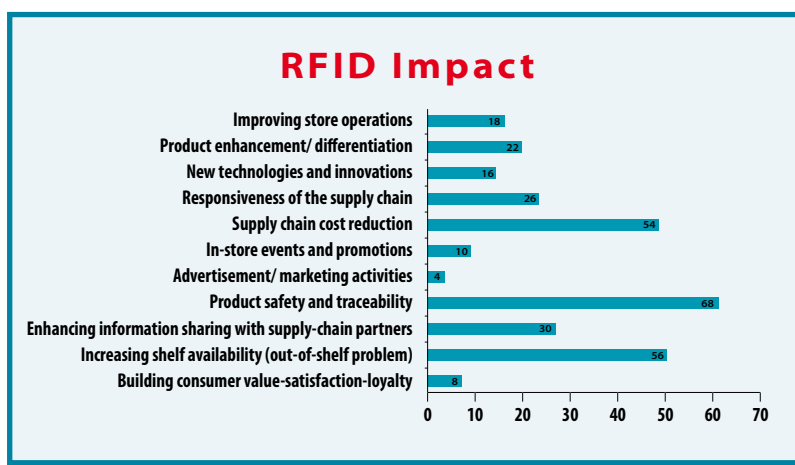


Figure 2: Industry Survey Results, May 2006 – Jan 2007



The vast majority of offences (69%) take place at the till, followed by the back-of-store (16%). The most frequent method of offending at the till is to take cash, followed by the non-scanning of items for family, friends and colleagues. Relatively few workers made any effort to conceal their tracks through manipulation of the till (last item voids, offering discounts, deliberately short changing customers etc).

The most frequent method of offending in the back-of store was to eat stock, take items out of the back of the store (either walk out with them or hide them in the garbage area) or simply carry the item out of the store when leaving the store. Virtually all theft was for personal use.

Things that create opportunities for theft include failing to use unique identifiers at the till, tills not being emptied and checked on a regular basis, staff not leaving by staff exits and not being searched regularly. Staff also highlighted the powerful deterrent effects of CCTV.

Retailers need to create 'a fear factor' – the strong sense that dishonest behaviour will be discovered and punished – suggests Mr Beck. "Developing a culture of intolerance of dishonesty could be the most productive strategy any company could adopt."

• *Staff Dishonesty in the Retail Sector: Understanding the Opportunities*, ECR Europe White Paper, 2006.  
From [bnal@leicester.ac.uk](mailto:bnal@leicester.ac.uk)



## Do Happy Staff make Happy Customers?

According to the Service Profit Chain model, staff who are treated well by their employers are more likely to treat customers well, who in turn are more likely to treat shareholders well – by buying more of the company's products and services more often. But how strong is the link between 'happy' staff and 'happy' customers?

To find out, Rosa Chun, Professor of Business Ethics and Corporate Social Responsibility at Manchester Business School interviewed 10,000 people (half customer-facing staff, half customers) in 49 business units across 13 UK retail organizations in financial services, food retailing, telecommunications and insurance. The answer? There is precisely zero empirical correlation between the two.

There are some companies where staff happiness and customer happiness coincide. Comparing branches across the same large grocery retailer for example, Chun found that customers were happier in stores where staff were happier. But there are other companies where the opposite is true. In one financial services company, for example, the unhappier the staff in the branch, the happier the customer. In yet other cases, staff are happy but customers are not.

Chun says that when conducting her research she was surprised by how many managers simply assume that the Service Profit Chain model is true without testing its validity for their organization. "It might be dangerous for managers in a service business to adopt the Service Profit Chain model as a strategic tool without being flexible about their own situation and type of business" she says.

There is no empirical evidence of any correlation between 'staff happiness' and 'customer happiness'.