Wal-Mart Gold
Lesson Eleven Transcript

Copyright Notices

Joe: So, now we're to Section 11, which is packaging.

Michael: Why is packaging of my product so important?

Joe: Well, because you're selling to a retail store, that packaging is critically
            important. It's one of the most important things because the packaging of your
            product is what's going to make the sale. You don't have a salesperson standing
            there in the aisle at Wal-Mart dragging people over and telling them why they
            should buy this. It has to be done by the packaging and it has to grab the attention
            of somebody walking down the aisle and who is exposed to hundreds of
            thousands of things they can see at any given time. It has to grab their attention,
            get that person to look at your package, pick it up, and then it has to make the
            sale. So, the packaging could be even more important than the product itself.

Michael: I know the subject of packaging can be a whole other seminar in itself. Can you
            talk about some of the different packaging for different distribution channels?

Joe: Sure and that's something that if you're going to be selling into multiple
            distribution channels, you really need to pay attention to. If you're going to sell
            anything into Wal-Mart or other mass market retailers, there's a bunch of criteria
            you have to follow, but basically you'll need a UPC code on there so they can be
            scanned at the scanner, and you need to conform to the requirements of the mass
            market.

            On the other hand, for gift for independent stores, in that case a package with a
            UPC code on is death. If they see that, they won't want to buy it. So, in that case
            you might sell the product loose or on a little wire display where they are hanging
            there or in other ways that would be totally unworkable in a Wal-Mart or a Target.
            And the reason for that is that they want to distinguish themselves from Wal-Mart
            and Target. They don't want products in their store to look like anything that you
            can get at Wal-Mart because if you can you'll buy it at Wal-Mart. So, the
            packaging for a gift independent stationery kind of store is totally different.

            Then yet again, mass market, say Sam's Club or Cosco, the warehouse stores, in
            those cases they have you bundle stuff into big bundles. Like if you're selling
            scotch tape and you're 3M and you have one package of Scotch Tape sitting on a
            shelf somewhere, in Cosco they'll shrink wrap 24 of those Scotch Tape dispensers
            into one bulk thing and they sell all 24 of them as an item. So, if you're fortunate
            enough to get in those warehouse stores, you're going to end up with multiples of
            your product shrink wrapped or bundled together to be sold as a unit.

            The fourth thing, anytime you're selling with direct mail or mail order catalogs or
            TV infomercials, you don't even need packaging. The only purpose of the
            packaging then is to protect the product because you're not going to see the
            packaging in a direct mail or a TV infomercial. You see the product itself and
            being used or you get sold on why you should buy it through direct marketing of

some sort, but they don't ever sell it to you by the package. The sale is made by the infomercial person, or the sales letter, or whatever, so in that case you just need it for protection.

Michael: What are some of the jobs my packaging must accomplish?

Joe: In the case of retail stores or mass market, because that's the focus of what we're talking about, there are seven things your packaging must do, and if you fall on any of these, you've got a big problem. You're dead.

Number one, we've already been talking about, which is to make the sale. It has to grab the attention of that consumer and you yanked them out of the isle and make the sale of the product.

Secondly, it has to protect the product. The product has to be able to be shipped and get to the store and get merchandised in the store and have the product protected. Remember, we don't want rejects or returns, so we've got to have the packaging done properly to protect the product.

The third thing is legal requirements. And the one most people are real familiar are the labeling criteria for food. All packaged foods have all these percent fat, percent protein and all the ingredients listed and everything. But there can be legal requirements for other things too. If it's a toy product, child safety laws apply. So, whatever your product is, you want to make sure that you're meeting the legal requirements.

Number four, requirements by the retailer. This includes the UPC code, but it also includes making sure that it will fit in the merchandising displays or the shelves in the store and it has anti-pilfer. If you have a really little product, they may want it shrink wrapped on a large backer so that it is harder to steel or shop lift. So, retail requirements are number four.

Number five is on-pack or in-pack promotions. This is not so much a requirement of the retailer, but you should do for your own self and your own business because promotions done properly on the fact that you're in the package can help you sell a lot more product, and in one case I'll tell you about in a little bit, it can even launch a new business for you.

Number six, any kind of instruction manual or instructions on how to use the product. If it's not totally obvious, if there are some instructions that are needed, whether they're on the package or in a manual inside, you have to attend to that.

Number seven, we've talked about a little bit already, which is the special packaging that the distribution channel might require for somebody like Coscos or Sam's Club, the bulk pack.

And then the last thing I was just mentioning, what you can do to start a new business. If you do on-pact promotions, if you do an on-pack promotion wrong, you can get kicked out of the store. If you do it right, they'll love you and you can start a new company with it. And I did that with my stickers. We started out, I was going to do a promotion where if you bought one package for $1 in the Wal-Mart stores, you could cut out the UPC code and send it in and we'd give you a $1 off an assortment of stickers. You could send in five UPC codes and get $5 off an $8 assortment. So, what that means is that from the point of view of the Wal-Mart buyer, he looked at that and said well if anybody wants a mail in offer, they're gong to buy five packages of stickers because they get all their money back, so I love that. He wanted me to put it on the front of the package and make it more prominent than I'd even planned on.

However, had I tried to sell the exact same product that was in the store, they wouldn't have let me do it or they would've kicked me out because they would've viewed that as competition for them. And they don't want to help my company sell to the consumer direct so they don't have to go to Wal-Mart. The product I had as a mail-in offer was a bulk assortment of stickers, which is something that was never available in any store. So, it was totally different. So, they loved that. So, it's a touchy thing, you've got to do it right. But what I ended up doing because people would mail-in their dollars or their UPC codes and then what we would do is we would mail out their stickers they just bought along with another catalog and that turned into a mail order business. Doing business directly with the consumer.

Michael: And Wal-Mart helped you create it.

Joe: Wal-Mart and Target and everywhere else our packages were.

Michael: That's brilliant. How am I going to make my package sell?

Joe: Remember, we said that you needed to grab the consumer's attention. The best way to do this, and this is what Proctor & Gamble does, is you go into the stores where your products are going to be and you look at what's there. If you look at detergents and they're all bright orange or bright blue or whatever, come up with a look or color or a style that stands out. One of the things we did with the stickers at one point in the early days is everything else was really, really blasts of color, so we did black and white packaging, which jumped right out at you because everything else was like full color. So, I can't tell you what to do for your product, but I can tell you do is how to figure it out and that is go look where your product will be merchandised and either with the packaging or the color or both come up with a unique look. It could be a unique type of box. Everybody else may have one kind of a box; you could come up with a different kind of box that's a different shape or something. So, you need to stand out and you when you're looking at needing to stand out, you need to stand out, compare it to what's

going to be next to you in the store. It needs to be clear that your product is different, it grabs attention, and it also needs to be clear what your product does.

I had a client who had a package for a store for a product that would fix cracks in porcelain in bathtubs or sinks and their logo was like a little wizard guy with a wand and that was on the front of their package. And you can say okay, I walked down the aisle and I see a little wizard there, what the hell is that? It didn't tell what your product does. The only way you could tell what the product does was to pick that up, turn it around, and read the small print. So, we obviously had to change the packaging. So, that's an example of a trap you could get into is putting your company name or your company logo real big on the package. The consumer doesn't care about that. The consumer cares about what is it, why should I buy it, and what will it do for me?

Michael: Are there services and companies out there who are experts at packaging that I could hire or do consulting with?

Joe: Yes there are and you can find under packaging consultants in Google or you can look in a big green book called the Thomas Register, it's a directory of manufacturers. One project I had was a skate bike, which was an unusual product. It was like a unicycle, but it had at the very bottom anther bar came out with skateboard wheels in front to make it easier to ride. Now, since this product, nobody had ever seen before, it didn't exist, we have an issue of communicating what it is because we were selling it in a box, not like a bicycle where it's already assembled. And I used a package design firm in that case, but they can be expensive. We paid $25,000 to get the package design done. But we ended up with something that when you glanced at that package from 25 feet away, you could see what it was because they had basically a photograph of the product on the outside of the box and you could see it assembled and what it was and there were pictures of kids riding it and the whole thing. It was instantly obvious. But package design can be expensive.

When I was with Kimberly Clark, with Kleenex, I mean they spend hundreds of thousands of dollars. There's a study of a quarter million dollars to determine whether the blue box should go by the pink box and should it be on the third shelf or second shelf? And if the way they are merchandised in the store can make a 1% difference in sales and if you're sales are a billion, 1% is what, $10 million per year?

Michael: Yes.

Joe: So, for the big guys they can afford to spend big bucks on little things. For us little guys, we've got to just do what we can do.

4

Michael: Let's talk about breakage. How do I know if my product is tough enough to withstand all the distribution of these mass merchandisers so it doesn't get knocked around and broken?

Joe: It will get knocked around. I can recall one time when I went to a trade show, I watched the UPS guy unload the truck. He took it from the truck and he was throwing the boxes on the loading dock. So, what I came up with is something that has served me well, it's real simple. Take you product in the package, climb up on the chair over a concrete driveway or concrete sidewalk and drop it 10 feet. And you need to do this with the individual product and with the product in a case pack. If your case pack is 24 units in a case, do it with a case. Do it with the individual product. If your product is on a backer card, like a blister pack or something, hold it by where the hanger hole is where it hangs on the hook and then slam it on the side of a desk as hard as you can unattached because if it is packaged that way and it's not done properly, the blister will come off them. Any kind of thing where you have printing on the outside of plastic or anything, the test for that is to take scotch tape or rub it on there really firmly, but hold on to an end of it and pull it off. And if when you pull it off any ink that sticks to the tape, you know you've got an ink adhesion problem.

Michael: How about legal requirements for my packaging? Is that going to vary depending on what my product is and what is some stuff I should consider?

Joe: Definitely will vary. The one people are familiar with like we mentioned before would be food and the requiring there. But even on things like clothes or apparel, you have care instruction rules on apparel. How do you wash it, for example? Child safety laws for children's products or toys. So, you can't possibly think of every industry, but whatever your product is, you need to check out your particular requirements for your industry. And you can do that at the Consumer Product Safety Commission website, which is, I think www.cpsc.org, or just type in Consumer Product Safety Commission into Google and you'll find it. That will give you what the laws are. What they have there is they have the regulations by industry and there will be like a hundred different industries and you can click on one, whichever yours is. If you're in the toy business, click on toys and it will show you all the regulations related to toys. So, that's one way to check out the law it you're not familiar with it.

Michael: Each mass merchandiser or retailer has different packaging requirements. Can you discuss some of the things I'm going to need to be aware of as far as the retailers' packaging requirements?

Joe: Sure. Aside from the UPC codes so that they scan properly, one of the other things you need to do is you have to make sure that they're going to fit on the shelves. I've seen people put things in a package that was round or something like that. And if it's round or some sort of unusual packaging and if the normal packaging on the shelf is boxes and the product can be stacked, you can't stack a

5

round product. So, what you've just done is you've made sure the retailer can't put as much of it on each square foot of shelf space and you're going to have to have a higher return on investment for them to justify carrying your product. So, you just shot yourself in the foot. If your product is something that needs to be stacked in the store, make sure it stacks.

If your product is hanging from a hook, this is a funny one I've seen people mess up on. If it's on a backer card with a blister pack or shrink wrapped or anything and it's not centered, the weight of the product is not right in the center of the card, what you have to do is you have to make sure that the hole that it's going to hang from is put through the backer card is in the right place to make it hang right. And I've seen that mistake happen where everything was hanging crooked because they put the hole in the middle, but the weight wasn't evenly distributed.

Michael: You had mentioned UPC code. Can you tell me what exactly is a UPC code and give me some ideas of why I'll need one of these?

Joe: First off, it's a requirement of the mass-market retailers and the grocery, drug retailers that you won't be in the store without one. It stands for Universal Product Code. The way you get one is through the uniform code council. Their web site is www.UC-councel.org and you go there and you can apply for one there. But there are a few things that you need to know about UPC codes that you might not find easy to learn.

The first thing is, if you ever looked at one, you'll see there's two sections of numbers at the bottom. Those first five digits they assign you. That's your manufacturer number. The next five digits you assign. So, what that means is you're going to decide what those numbers are going to be and then you're going to order the film masters or the artwork from companies who are in that business. And the artwork is going to vary depending on how you're going to print it. A screen-printed UPC code, they're going to give you artwork where the lines are a little thinner than they need to be because the printing process expands the width. If it's offset printed it will be different. So, when you order them, you have to tell them what printing process you're going to use for them to give you the correct artwork.

One other point to make before I forget about the digits, when you're going to assign the last five digits, you need to put some thought into that because when any computer is going to sort to do a sales report by product or by UPC code number, it's going to sort those things. So, when you think about your five-digit number, I would your products in groups. You might have 1000 and then 1100 represents one group of products, 1200's are another group, and then you have 1101, 1102 and so on. So, what you want to think about when you're assigning the numbers to your products is to think about how they'll sort on a computer that sorts in numerical order and make sure your products sort in the groups that they are. That will make it easier for the retailer and for you.

6

Though you can print a UPC code in any color you want, I would recommend that you make sure that it's black and white; the black bars on a white background. Even if you have a full color package, I'd block out a white rectangle and print the black over that. That's not a requirement, but the one thing that I really want to always make sure of is that the thing is scanned properly. And the best scanning is with the black on white.

Another thing to be careful of, they give you the information in that you're going to get manual when you get your UPC code. It's about 200 pages long telling you how to use it. It's all technical stuff, but the thing you need to know at 100% size or the size the UPC code artwork comes in, it's about an inch high or an inch and a quarter high. Unless you have to, don't shrink that because though you're allowed to shrink it down to 75% of that, the more you shrink it the tighter the tolerances get for it to be able to be scanned. In your printing process or printing your packaging, there's less room for error. So, what I do there is anytime I'm making a product, I get a bunch of them printed at 20 or 30, and then I take them over to a grocery store or take them over to Target and I want to make sure they scan on the scanners that are really in the stores. And I've had it happen where I went over to the store with my samples already printed and ready to go and I ran it through the scanner and it didn't work. So, that's a little test you can do yourself for no money. It's critical because retailers tend to get upset with you if your product doesn't scan. People have to type it in manually and that's just another sign you don't know what you're doing. It's not a good thing.

In that book you get, by the way, it tells you where the UPC code is supposed to be put on any given kind of package. Where does it go on a little card? Where does it go on a box? There are set locations that it belongs in that are the standards, so you need to follow what the manual says.

Michael: What about if I have a product that has instructions or there's a manual that comes with it. What are some of the regulations and things that I'm going to need to keep in mind on that?

Joe: First off, the best way to do instructions or manuals are write what you think you need to write that describes how to use your product and then give it to somebody who's never seen it before or give it to a teenager or somebody. Somebody who has no clue about it and make sure they understand it. All the time I see actual instruction manuals that are either such in small type I need a magnifying glass to read them or they're written by engineers and there's no way in the world you can figure out what they say. So, if you have a technical product, have somebody read those instructions that have no technical ability whatsoever and make sure they're understandable.

Secondly, we had a problem at Kimberly-Clark because of -- I was making non-woven fabric into tablecloths where the tablecloths could be washed and you can

buy this tablecloth for $2 and wash it 20 times. So, that was going to be sold in grocery stores. And here's atypical example that can happen. When you're in the lab, scientists in laboratories control things. They said that these non-woven fabric tablecloths could be washed. You need to dry them in the dryer under air dry, not under heat because they're made of polypropylene and polypropylene if it's hot enough will melt. So, in a lab they run all their tests, they do all their testing they like to do for months and months and the net result is everything is cool, go ahead with it. Well, as soon as we get it out in the stores, the real world rears its ugly head, and when women put these things in their washer and dryer at home, the washer may be a little hot or the dryer even on air maybe hotter than you think, and what we had happen because of real world variations in temperatures, a lot of these tablecloths were melting and creating a big blob of plastic in the dryer and we had to replace the people's dryers. So, this is just an example of it's not really about writing instructions, but it's an interesting thing that can happen whenever you're doing your testing, if it's not real world testing and it's laboratory testing.

There are a number of different kinds of packaging you need to be aware of and depending on the kind of product you have, one or more of these may be appropriate. I'll run through the different kinds.

By the way, if you're product is ugly or is not attractive you're going to want a colorful box or colorful packaging. In the case of the stickers, if the artwork and the graphic of the stickers are what you're selling, then you want to have that show. So, what we did is that we shrink-wrapped them with a clear film so you could see the product because the product itself was attractive and it was making the sale.

So, the first kind is we talked a little bit about already, which is blister pack. That's a card that has a little clear plastic rectangular blister stuck on the card with the products inside. And that's one of the ones when I was referring to if you're packaging a product this way, you want to hold it by the edge and slam it against a desk on its edge because that's the test for blisters because the blister will pop right off there if it wasn't done right.

The next kind is clamshells, which I'm sure everybody has seen. Those are the kind where it's absolutely impossible to open. They're basically sealed all the way around and it's a clear plastic material is sealed all around and you need multiple pairs of scissors and much frustration to open the package.

Another kind is called skin pack and this is also on a backer card. And this is where you have things in weird shapes and what they do is put a thin film over them and then there are tiny holes in that backer card which they create a vacuum under and it sucks that film down and around the product. So, it's actually touching the product and conforming to the product. That's called a skin pack.

Then of course, you can use the poly bag or shrink-wrapped. The tablecloths or things of that sort are going to be either put in a clear poly bag or shrink-wrapped. And usually a lot of those will have a paper cardboard insert that tells what they are.

Then the next one everyone's familiar with is just a plain old box and boxes can have the cellophane or the clear windows in them or without a window and they can be different shapes. They can be triangular. They can be rectangular, all kinds.

Another kind you don't see too much, but you can just use paper bags. I've seen that done. You can put a header card, which is stapled onto a bag for a small product.

Then you can shrink-wrap like we did our stickers, which you take the backer card, you put the product on top of it, and then the film shrinks around the whole thing and holds it on there tightly.

Another one that you see a lot is plastic boxes or tubes. Plastic tube would be like you see shower rod hangers come in those. The time to use clear the plastic box or tube is when the product itself is attractive and you want to show the product through the box.

Michael: Can the packaging help me get into one of these retailers? Do they give me feedback on what packaging they want for my particular product? Have you gotten feedback from any of your buyer's about that that led you to packaging decisions?

Joe: Some of that, but that's pretty much up to you more so than them. The retailer as a rule doesn't try to get involved in your product designing. But we had an example that was actually critical to our success with the stickers that may apply to you and other areas, so I'll tell you about what happened.

One of our first distribution channels for stickers was Hallmark stores and other card and gift stores. Well, basically what that amounts to then is our product is going to have to hang on Hallmark's hooks. So, what we did is we designed our product to have the same size backer card as a Hallmark sticker and same size and shape of a hole to hang it on so that it would fit right on Hallmark's displays. If we hadn't done that, the Hallmark stores wouldn't have bought our product because then they wouldn't be able to display it. They would've needed some other kind of display. So, it was critical to have a sale that our product just fit the merchandising that was already there. So, depending on what your product is and what industry you're in, consider that. If you have competitors who were out there with some sort of special merchandising, you want to make sure your product will fit on their displays.

9

Michael: Is there anything else I need to consider or be aware of related to packaging?

Joe: The thing we mentioned a minute before about getting the hole in the right place if it's a product hanging on a backer card so that it will hang straight. And the other thing would be any printing that's on your packaging. You want to check the ink adhesion. If the package is plastic, the scotch tape test worked that I described a little bit ago. Another test is to use an eraser on a pencil and try to rub off the ink. What will happened, if you're ink adhesion or packaging isn't done right, the abrasion in the distribution channel is going to make your package look poor by the time it gets to the store. So, you definitely don't want to have that happen.

                So that's pretty much the end of the packaging section. There are a lot of things to consider, but they can be absolutely critical in determining how well your product will sell or if it even gets the chance to sell.

                In the next section, we'll be talking about, is equally important, Section 12, which is merchandising.

Michael: This is the end of Section 11. Please continue to section 12.