INTRODUCING NEW PACKAGING INNOVATIONS:
EASY AS 1, 2, 3… DECADES

Stick Packaging in the USA

By Neil Kozarsky

Envision a package that is compact and travel friendly, good for anywhere/anytime, easy to open with superior product dispensing characteristics. By all appearances, a certain formula for success right? Well, yes. However, the aspect of this actual case study, and the ultimate 'success story' that should be of real interest (and some concern) to packaging and marketing professionals today is this: Why did it take nearly 30 years for the big, new idea of stick packaging to be transformed from a significant and "obvious" breakthrough to a mainstream package/product factor in the United States?

Japan-based Sanko Machinery Co., Ltd. developed stick packaging in the mid-1970s, and the sleek, 3-side seal "stick-like" alternative to traditional sachet pouches gradually gained in popularity and acceptance. The first applications were for sugar and sweeteners, followed by non-dairy creamer and soluble coffee powders. Japan, always driven by source reduction alternatives because of limited production, storage and disposal resources, identified value in the stick pouches because they offered 30% film efficiencies in comparison to well established rectangular pouches.

Converted on vertical form/fill/seal packagers at speeds ranging from 30-90cycles/minute, depending upon the flow characteristics of the given product, Sanko's new single serve innovation found its way into an expanding portfolio of product applications and markets for both small and large companies. Known the world over as shrewd and harshly demanding consumers, the Japanese appreciated the appearance and improved functionality of stick packs. Unlike their North American brand management counterparts where "if it's not broke, don't fix it" mentalities are spawned by typical 2-year job tenures, branding philosophies and strategies in Japan are driven by consumers continuously looking for improvements and creativity in even the most established of products and brands.

By the late-1980s and early 1990s, Sanko's stick packs were well established in Japan and throughout Europe. The application base had grown from dry condiments and instant beverages to more sophisticated and challenging products including liquids (ketchup and mayonnaise) and nutritionals including infant formula. By this time the fillers had expanded to as much as 10-12 lanes across and the economics of sticks against the traditional pouch were more appealing and compelling than ever. As the world's leader in stick packaging and with penetration throughout Japan and Europe now established, Sanko set their sights on the large and compelling North American market.

“We went to numerous packaging shows”, recalls Sanko’s Director and former Export Manager, Shoichi Yaguchi. “We brought our machinery to all of the big industry events in the USA and almost all of the major target companies had a chance to see our equipment and capabilities.” So with commercial validation in Japan and Europe behind them, high-speed, multilane fillers clicking away at high rates of speed at these packaging shows in the USA, what happened?

“We wound up having to ship our machines back to Japan, or on occasion to existing customers in Europe”, states Yaguchi, going back to those days in the‘80s and ‘90s. “We learned that, while there was interest in our stick packs and awareness of potential benefits, companies were in no hurry to scrap production infrastructure (for traditional 3 and 4-side seal pouches) that was already bought and paid for.”

In 1996, Sanko was contacted by a US based firm, T.H.E.M. (Technical Help in Engineering and Marketing), which specialized in providing innovative packaging solutions to food, beverage and healthcare marketers in the USA. With an American company representing Sanko, things began to happen…slowly. Between 1997 and 2000, a handful of stick pack introductions took hold in North America, including sugar and sweetener, soluble coffee, and a notable launch of infant formula by a major pharmaceutical concern which had not changed their primary package for over 45 years.

What was driving the new-found success for stick packs? According to a senior executive at one of the major food companies (who has since joined a large converter) at the time, “our global organization had been aware of stick packaging for a number of years, and we knew Sanko made first-class equipment”, he stated, “however, there was no way we were going forward with anything in stick packs until we could align with “local” supply partners.” So with major film suppliers such as Curwood, and national contract packagers like Power Packaging, Inc. getting into the act, one of the key hurdles for stick penetration in the USA was being overcome.

Another notable leap for stick visibility and acceptance in North America occurred when General Mills (Yoplait®) introduced a “grab and go” yogurt line extension (Go-Gurt) in a tube format in 1998. As a new application for sticks, Go-Gurt caught the attention of the packaging industry quickly as the innovative ‘delivery system’ effectively reinvented the product in a category, yogurt, not typically recognized for innovation. Product sales soared and Go-Gurt surpassed the previous category leader as a result of artfully utilizing the new package innovation. It was not long after the Go-Gurt and infant formula successes, that most US consumers at least recognized what a stick pack was. An international sugar manufacturer in the US, who packages stick products both in Europe (for well over a decade) and in the domestic markets for almost 5 years states, “it wasn’t that long ago that US consumers really didn’t know what stick packs were, or how to use them. While large, we recognized that our company lacked the resources to educate the Americans as to the benefits of this package or how they worked.” In fact, a familiar package known to almost all Americans growing up as ‘Pixie Sticks’ actually hindered, more than helped, initial stick packaging growth in the US. This is because most consumers perceived that such packages contained candy and were to be used in a direct pouch to mouth dispensing fashion. While not seemingly a "big deal", this perception about sticks was one of the factors that delayed expansion.

By 2003, a number of key elements in support of stick packaging were in place:

- Sanko had a US-based representative able to field calls, provide R&D and service/support equipment

- Machinery was now capable of filling 90 cycles/minute across up to 26 lanes (depending on stick width and product characteristics)

- A significant percentage of US consumers had become aware that stick packs were not just for dry, powder confectionery applications

- A major contract packaging network was in place

- Major US converters had qualified economical lamination structures which ran well on the Sanko machinery

- One of the US converters acquired a Fancy Cut® easy open film technology license from Tokyo-based flexible film innovator Hosokawa Yoko Co., Ltd. to facilitate increased consumer convenience.

While by 2003 significant steps in support of stick packaging had been accomplished, a number of additional developments were still required in order to create mass stick pack commercialization in the US market. One of these involved having a high-level manager in place within a major consumer products goods organization recognize the benefits of stick packaging and effectively 'champion" the crusade to introduce the new package innovation. After several earlier attempts at introducing a stick line extension for a major beverage brand did not move forward, a key development occurred when a direct competitor essentially copied both the primary and secondary display package of a flagship brand.

"At that point", the brand manager says, "we had no alternative but to work within the business and effectively develop a new, differentiating package." He went on to state, "we had assessed the stick pack previously and knew there were significant cost efficiencies, we just lacked the motivation to make the move."

In addition to increased consumer awareness and the need to overcome a direct competitive challenge, there was another important factor that was falling into place in support of increased stick packaging interest. "By that time", a packaging engineer familiar with the evolution and decision-making process that ultimately led to the choice of the stick pack, "we had reached the point where the equipment that filled the traditional package had gotten pretty old; we knew we'd have to spend some money one way or the other, either tore place the old system, or to go with new equipment."

With major companies and brands in the US having decided on stick packaging in 2003 and 2004, the final ‘piece of the puzzle’ concerning the ultimate potential for stick packaging commercialization now resided where it always does, in the hands of the consumer. And increasingly, one of those hands now held something vitally important to the success of the stick pack; a bottle of water.

“I’d like to tell you that we knew from the outset that our powdered beverage in the stick pack was going to be such a hit, but in reality, it just doesn’t work that way”, stated a project manager familiar with one of the major stick pack introductions. “Things have to align just right from a production, distribution and retailer perspective, and that’s never easy. The ‘X-Factor’ that put the stick packs over the top for us, and now others, is the increasing popularity among consumers of bottled water. The stick pack is the consumer-preferred package for that icon of ‘on the go’ consumer behavior.”

According to recent studies, the bottled water market in the US alone now exceeds $9 billion and, even more important from the standpoint of sticks, over 50% of that sizable segment is purchased and consumed one bottle at a time. Thus, the factor that really is most responsible for the major proliferation of stick packaging in the US today, is likely something that was beyond Sanko or anyone’s control for that matter.

Does that mean that Sanko and the stick pack’s success in the US is a function of luck? Hardly. Rather, this case study points out that commercialization of any new innovation in the challenging US markets requires a number of developments to be firmly in place:

- <u>RISK MANAGEMENT</u> Companies are increasingly reluctant to take a chance because of the high costs of introduction; behind any innovative solution there must be a reliable and proven machinery system

- <u>‘AMERICANIZATION’</u> Most companies will not accept trans-Atlantic (European) or trans-Pacific (Japanese, in this case)adventures when it comes to moving forward with a new package innovation; the vendor network has to be based and/or represented in the US5

- <u>CLEAR REASON FOR CHANGE</u> A compelling reason has to be evident to drive a new package integration; this could be a response to a competitors’ maneuver or a chance to realize a significant cost reduction for a brand

- <u>LITERAL VALUE PROPOSITION</u> With so many options available to consumers, the new package has to solve an obvious problem or improve an everyday habit; the sticks make sense for adding ingredients to relatively small targets such as openings for water bottles

- <u>TIMING</u> The best apparent “solution” for a given product or package may be destined to fail if there is no clear, underlying “problem”, or economic feasibility to support and provide a return for any changes

- TREND OR LIFESTYLE Many dollars have been lost and careers tarnished by overreaction to seeming opportunities that vanished quickly; it helps to have a foundation in place (e.g. $9billion water market) capable of sustaining growth for a selected package/technology

- PRODUCT 'DNA' Regardless of how exceptional a new packaging innovation may be, the value and acceptance will be a function of the synergies between the core product identity/positioning and its relationship with that innovation. It helps if the consumer "gets it" in less than 3 seconds.

It's been nearly 30 years since Sanko's founder Mitsuo Imamura, a chemist prior to establishing the machinery business, grew tired of trying to use large rectangular pouches to fill narrow-mouthed beakers and was inspired to invent the stick pack. It's unlikely he, or anyone else for that matter, could have envisioned the amount of time and development (both planned and just fortunate) that paved the path for the widening use of stick packaging today.

The lessons learned, however, are most useful for those responsible for selecting and executing new packaging innovations which are capable of transforming brands and entire businesses. What is most certain today is companies can ill afford to wait years for investments to be returned on new ideas, and that failure to innovate will result in extinction.

The author has been in the packaging industry since 1980 and specializes in technology transfer. He is an avid observer of the Japanese packaging and merchandising industries and has logged 90 trips to Japan since '92. He is a featured speaker and author on topics including consumer 'pulse' and mass commercialization.

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