Shelf Ready Packaging

The Kroger Co.
Shelf Ready Guidelines
January, 2010 Version 1.0
Shelf Ready Package Solution

Overview / Guiding Principles
1. Shelf Ready Packaging (SRP) allows a case that contains more than one consumer selling unit to be placed on the store shelf in one motion, eliminating the multiple touches that would normally be required to stock each individual piece.

2. The customer is fundamental to good SRP solutions execution. Design elements should be kept simple so consumers can easily identify and purchase the product they want.

3. Packaging should not send mixed messages to the customer; SRP that maintains brand identity aids product recognition by store associates and consumers, as well as throughout the supply chain, including distribution and in-store operations.

4. A key driver for Retail Ready Packaging (RRP) and SRP implementation is the reduction of expense through improved in-store efficiency, which in turn can lead to better on-shelf availability and increased sales.

5. Ultimately, the SRP solution should be aligned to deliver value to the Customer, improve work life for Kroger associates and enhance sales for The Kroger Co. and our CPG Partners.
6. RRP/SRP is not a standalone best practice, and if not properly implemented can impact numerous elements of the supply chain (i.e., warehouse shrink, shelf allocation, etc.), which could potentially increase costs and reduce efficiencies.

7. Packaging must be able to withstand the rigors of the supply chain, preserving the integrity of the product and meeting Customer requirements for presentation.

8. Implementing SRP solutions requires a planned and collaborative approach between Kroger and our CPG Partners.

9. SRP is not a solution for all products or categories, and it is important that priorities be established.

10. Priority should be given to product lines/SKUs that have a high unit sales velocity and are hard/inefficient for associates to stock (i.e., high case pack).

11. Products or categories that can easily be converted to SRP solutions should also be considered.
Velocity and stocking inefficiency are 2 of the key drivers for SRP conversion.
12. The SRP Guideline is a document created for our CPG Partners to ensure SRP implementation follows a standard process that minimizes supply chain risk.

13. While it contains specific requirements that support our 5 Foundational Functional Requirements, direction is focused on the desired outcome of SRP, and provides illustration of acceptable and unacceptable execution.

14. With the vast range of products encompassed, technical specifications have been omitted. The CPG partner will be responsible for delivering packaging solution that meets the functional requirements in the most efficient way.

15. The purpose of the Kroger SRP Guidelines are to provide a realistic approach to Shelf Ready/Retail Ready package requirements for our CPG partners, to aid in the effective and efficient implementation and expansion of this solution.
Shelf Ready Package Solution

Foundational Functional Requirements
The 5 foundational functional requirements for the SRP solution have reapplication opportunity across all types of packaging to help drive improvements through the total supply chain as is illustrated below.

<table>
<thead>
<tr>
<th>Area of greatest importance</th>
<th>Consumer</th>
<th>In-Store</th>
<th>Back of Store</th>
<th>Distribution Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy to Identify</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Easy to Open</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Easy to Stock</td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Easy to Shop</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Easy to Dispose</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
Easy To Identify

Easy identification helps ensure correct product selection and rotation of stock through the supply chain, particularly in the distribution center, store back room, and shelf replenishment processes. Functional requirements of identification are:

- Packaging should clearly communicate what is inside. Printed brand, product, variety, piece count and size on at least 4 sides of the outer shipping container would be considered a “Best In Class” practice. At minimum, descriptors should be readable from at least 2 adjacent sides when pallet loaded.

- When possible, product should be visible through packaging or product pictorials shown on the outer packaging.

- Product text should be as large as practical.

- “Best Before / Sell By” dates on consumable products should be clearly printed and legible to facilitate the Store Associate rotation process, as well as to help assure customer confidence in their purchase.

- Supply Chain information (i.e., barcodes) should not be printed on the customer display portion of the SRP tray.
Easy To Identify

ACCEPTABLE
Clear, concise and easy to identify

UNACCEPTABLE
Lack of information, unclear and difficult to see
Easy To Open

The SRP should contribute to a more efficient shelf replenishment processes, with packaging able to be opened easily in one or two steps without the aid of tools. The Kroger associate using the packaging should be able to determine how to open the carton, what part of the carton is used to place the product on shelf, and what part of the carton is discarded. Minimum requirements are:

- Easy-to-understand instructions on how to open the carton
- The process for opening a carton using perforations should not exceed the time taken to open the carton conventionally
- Torn perforations should leave clean lines, maintaining an attractive presence on the shelf
- **Packaging should be strong enough to move the product through the supply chain without damage, but still remain easy to open**
Easy To Open

ACCEPTABLE
Instructions clear and easy to understand

UNACCEPTABLE
Opening leaves untidy perforations

ACCEPTABLE
Simple to open

ACCEPTABLE
Pull Here To Open

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Easy To Stock

Through the use of the shelf ready container (I.E. tray), the SRP should enable the products to be placed on the shelf easily and safely in one motion. Without this requirement being met, the SRP solution is not acceptable. Minimum requirements are:

- Packaging weight and design are suitable for the purpose
- The shelf component of the SRP (i.e., the remaining tray used to merchandise the products) is strong enough to lift and move without the tray buckling and releasing product from the tray
- Shelf component of the SRP can be easily removed from the shipping configuration
- The SRP should allow shelf replenishment in one movement
- The shelf component design and pack quantity should allow adherence to the Kroger SRP Merchandising Optimal Set Standard of a 2 case pack-out minimum.
Easy To Stock

ACCEPTABLE
Easy for Associate
to place on the
shelf

UNACCEPTABLE
SRP collapses when being
placed on shelf due to
insufficient material or
design strength
Easy To Shop

The SRP should allow the Customer to easily identify the product brand and variety, and should not impact their ability to remove the product from the shelf. Minimum requirements are:

• White-lined board or board in one generic color that is closely related to the principle color of the consumer unit & the consumer unit visibility is maximized.

• The height of the SRP should be kept to the minimum required to maintain product integrity through the stocking procedures

• Brand and Product description should be visible on the consumer unit while in the SRP

• If the product variety of the consumer unit is concealed by the SRP configuration, this information needs to be printed on the display portion of the tray

• Packaging should provide no customer barriers to removal and replacement on the shelf
Easy To Shop

ACCEPTABLE
Customer can remove and return product with no difficulty

UNACCEPTABLE
Customer has difficulty removing the product due to lip height

ACCEPTABLE
Brand and variety can be easily identified by the Customer

UNACCEPTABLE
The Customer is unable to easily identify product variety or size

Variety Can't Be Seen
Easy To Dispose and Recycle

- SRP materials should be recyclable. For product with multiple packaging types, materials should be easily separated for recycling. Packaging should be easy to stack and remove from store aisles. Minimum Requirements are:
  
  - If using glue, ensure that its application is not so liberal as to compromise the breaking down of the carton.
  
  - Appropriate logos should be used to indicate recycling
  
  - Packaging should be easily collapsible, stacked, and/or flattened for removal from store aisles or for bundling
Easy To Dispose And Recycle

ACCEPTABLE
Associate can easily collapse and stack the SRP and tertiary carrier without difficulty

ACCEPTABLE
Appropriate recycling logos are easily identifiable

UNACCEPTABLE
The store Associate has difficulty breaking down the SRP or tertiary carrier due to the use of excessive glue or tape.

Did Not Breakdown At The Perforation

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Acceptable Packaging - General Characteristics
### The Kroger Co. SRP Criteria - General Packaging Characteristics

**When possible, the SRP unit should allow for display by the short or long side (I.E. 4 X 3 may be displayed as a 4 or 3 front facing).**

**On-Shelf Flexibility**

- Can be merchandised in either configuration.

**Off-Shelf Display**

- The SRP should be able to be used in off shelf display locations, and in turn moved back to shelf at the end of the promotional cycle.

**Color**

- Plain brown corrugate is not an acceptable SRP solution. The minimum standard is White-lined board or board in one generic color that is closely related to the principle color of the consumer unit.

- Plain brown box is not acceptable
- White corrugate is the minimum standard

**Branding**

- Shelf ready packaging can be used to enhance and re-enforce the product brand. Generic marketing messages are permitted on the lip, but short term promotional messages or flags are not.
### Sustainability & Recyclability

The least amount of packaging material (corrugated, plastic, etc.) should be used, but product integrity must be maintained through the supply chain. Where possible, material should be recyclable and the appropriate recycling logo and packaging content should be displayed on the case.

### Hazardous Items

All appropriate legislated labeling and packaging standards should be met.

### Handling & Strength

The SRP case should maintain product integrity through the entire supply chain. This includes both automated and manual distribution centers. The SRP unit must be able to be placed on the shelf in one motion without collapsing during the stocking procedure.

### Product Descriptions & Code Dates

All printed text (alpha and numeric) must be clear, legible and assure that the enclosed product is easily identified. Print should be in contrasting color to the carrier, and acronyms and technical jargon should not be utilized within the description. At a minimum, the product descriptions must be printed on at least 2 adjacent sides of the case. Product code dates should be easy to recognize and maintain consistent positioning.
<table>
<thead>
<tr>
<th></th>
<th>Tray &amp; Shrink</th>
<th>Display Box</th>
<th>Multi-component Pack</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description</strong></td>
<td>Corrugated or plastic tray with a removable plastic film. The tray with the product can be placed on the shelf in one motion.</td>
<td>Corrugated RSC or full wrap box with perforations or tear strips that in one or two steps allow a portion of the case to be removed for placement directly on the shelf.</td>
<td>This packaging contains more than one component, and is usually a telescoping lid with a base that when separated allows the base containing product to be placed on the shelf.</td>
</tr>
<tr>
<td><strong>Examples</strong></td>
<td><img src="image1.png" alt="Examples" /></td>
<td><img src="image2.png" alt="Examples" /></td>
<td><img src="image3.png" alt="Examples" /></td>
</tr>
<tr>
<td><strong>Design</strong></td>
<td>Standard trays or other tray forms, which may include removable dividers. Tray edges must be clean and the height of the tray should, be low enough to allow for easy product identification, as well as customer removal from the shelf.</td>
<td>Corrugated box with perforations or tear strips embedded that easily separate the shelf portion of the box from the discarded portion.</td>
<td>A box from which the lid is removed and the resulting base containing the product is ready for shelf placement.</td>
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<td><strong>Materials</strong></td>
<td>The least amount of packaging material (corrugated, plastic, etc.) should be used, but product integrity must be maintained through the supply chain.</td>
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<td><strong>Sealing</strong></td>
<td>Film should be able to be removed easily, and be of the lowest possible gauge to maintain product integrity through the supply chain. Perforated film should be considered as a potential solution.</td>
<td>The removeable portion of the box should not be obstructed by tape or glue, and should contain no staples.</td>
<td>To allow for easy opening, a minimal amount of tape or glue should be used to secure the lid and base together, and it should be able to be easily removed at store level.</td>
</tr>
<tr>
<td><strong>Product Visibility</strong></td>
<td>The shelf placement portion of the tertiary product carrier should allow maximum customer PDP visibility (brand, variety, size).</td>
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<td><strong>Opening</strong></td>
<td>Clear text and/or pictorials must be used for opening instructions. The need for tools (I.E. knives) should be avoided.</td>
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Appendix
Following the Kroger guidelines, what is the evolution of product from unacceptable to acceptable SRP?
Shelf Ready Package Solution
The Kroger Co. Guideline Development Resources

With the in-store proliferation of Shelf Ready Packaging being both a global and industry wide initiative, international RRP Toolkits, as well as CPG / Supplier Partner and Kroger Associate expertise was utilized to facilitate the preparation and refinement of The Kroger Co. Shelf Ready Packaging Guidelines. Recognition of resource contribution provided for the development of this document go to:

- Heinz North America
- International Paper
- ECR Australasia – *A Focus on Shelf Ready Packaging, An Industry Toolkit*