

PACKAGING AS THE 5TH P OF MARKETING

Savica Dimitrieska¹, Snezana Bilic²

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Abstract

Packaging is important for the product to have safe journey from the producer to the consumer. It ensures the protection of the product during its storage, handling, transportation, and prolonging its life cycle. The packaging depends on the nature of the product. From a marketing point of view, packaging is a promotional tool and represents the first contact with the consumer. Today, consumers are becoming more sophisticated and demanding, and in addition to high quality, they are looking for good packaging. Increasingly intense and fierce competition is pushing companies to think about using well designed and sustainable packaging that protects the health of both consumers and environment. Due to its prominent importance, packaging has been considered as the 5P of marketing.

This paper aims to show the importance of packaging, its advantages and disadvantages, historical development that started with its minor significance and ends with complex managerial decision-making, future packaging trends, by using primary and secondary data.

Keywords: *packaging, sustainable packaging, consumers, marketing*

JEL Codes: *M31, M37, M38*

Introduction

Packaging is an activity of designing and producing the container or wrapper for a product (Kotler and Armstrong, 2016, p.264). It is a science, art and technology of protecting goods during transportation, distribution, storage, sales and use (Shikha, 2023). Packaging is very important for the successful and safe journey of products from producers to consumers. It helps in identifying, describing and promoting the products.

¹ International Balkan University, Faculty of Economics and Administrative Sciences, Republic of North Macedonia, Full time Professor in Marketing, PhD, Savica.Dimitrieska@ibu.edu.mk, <https://org/0000-0001-9808-6647>

² International Balkan University, Faculty of Economics and Administrative Sciences, Republic of North Macedonia, Full time Professor in Management, PhD, sbilic@ibu.edu.mk, <https://org/0000-0002-5783-1951>

With the passage of time, packaging experiences lots of transformations influenced by human needs, changes in their lifestyle, discoveries and innovations, fierce market competition, wars, industrialization, digitalization, etc. The first beginnings of packaging can be traced back to the beginning of mankind when the first people used leaves, hollowed logs, woven grass and animal skins and organs to store their food. In Ancient times, especially in Egypt (1500 B.C), the use of glass to store food and water was industrialized (Hook et al, 2017). Ancient China is considered the inventor of paper in which food was packaged, and later was used for preserving medicine and tea parcels. In the Middle Ages, the most famous way of packaging were wooden barrels and wooden chests in which products such as rum, dried fruit, and fresh water were stored that were transported across the oceans (Crawford Packaging, 2023).

During the Industrial Revolution (1760-1840) tremendous technological changes in production took place and the need for packaging increased. (food packaging, bags, storage and transportation bins, primary packaging materials, in-store packaging options) (Loeser, 2015). In 1810, Peter Durand, an English merchant is widely credited with receiving the first patent for the idea of preserving food using tin cans. In 1817, the first industrialization of cardboard boxes took place in England, and in 1844, the first commercialization of paper bags took place in Bristol, England. In 1908, the Swiss chemist Brandenberger invented cellophane, which would be the basis for the appearance of plastic in the following years. During the Great Depression, “self-service” culture developed and people more often shopped in grocery stores. So, again there was a need of packaging change. Packaging becomes a sales tool and gets the epithet “silent salesman” (Loeser, 2015). After World War II, new materials appeared, such as plastic and aluminum foil, which pushed paper and the related products out of use. Plastic, although cheap, easy to use, will become a real problem in the coming years. In 1957, Alfred Fielding and his business partner Marc Chavannes discovered the bubble wrap that would later be used as a packaging material for computers made by the IBM. In 1973, chemist Nathaniel Wyeth first patented plastic bottles (PET-Polyethylene Terephthalate) that began to be used for carbonated drinks and also as a cheap substitute for glass.

Today, companies are taking actions to explore new ways of packaging that will be less harmful to the health of both humans and the planet. Efforts are being made to replace the linear economy (take-make-dispose) with a circular economy (make-use-recycle). Nowadays, the terms “eco-friendly”, “biodegradable”, “compostable”, “green”, “sustainable” packaging are increasingly used that aim to be easy to recycle, safe for people, safe for the environment and made from recycled materials (Dellis, 2016).

So, in the beginning, packaging was considered an insignificant element of the marketing mix (product, price, promotion, place). The packaging only had the function of

protecting the product from external influences. In the marketing literature it was included under the P-product along with other product attributes, branding, labeling and after-sales services (Kotler and Armstrong, 2016). Today, packaging is a powerful sales tool that is becoming a significant area of management decisions. Some marketing experts suggest the change of the original 4P elements of marketing mix (coined by E. Jerome McCarthy, 1960) by adding the new 5th element, P-packaging. This attitude is supported by the important functions that packaging plays today, such as: (Farooq, 2023)

- Providing physical protection of products on their way from the producers to consumers from various external influences, contaminations and damages, theft, etc.,
- Product identification that is ensured by the usage of distinctive colors, shapes, graphics, texts, size, material, design, etc.,
- Information about the product, i.e. display of the price, value, content of the product,
- Communication with consumers through labeling, such as usage instructions, warnings, expiration date, nutrition's value, etc.
- Marketing role, i.e. the attractiveness of packaging, impressive colors, creative designs that grab the attention of consumers,
- Protection of the environment, that is, "green" packaging made by biodegradable, eco-friendly, recycled materials,
- Enhancing companies profit because consumers are willing to pay higher price for well-designed and eco-packaging, etc.

From a marketing point of view, packaging is the first thing people notice about a product and can either attract or repel their attention. It really has to make the right impression (Ribble, 2023). Although the importance of the packaging should not be overstated, it still plays a crucial role when it comes to brand identity, recognition and customer loyalty.

Literature Review

Packaging today is considered a significant part of successful business practices. Due to consumer pressure, fierce competition and societal concern for the environment, companies are increasingly placing emphasis on packaging.

Consumers demand well-designed, quality and environmentally friendly packaging. They are interested in the product information that is usually found on the package labels regarding quality, value, features, instructions for use, etc. For them, the primary concern is that the product is well preserved with the packaging. Consumers are increasingly conscious about the environmental impacts and they evaluate the carbon footprint of the packaging before buying a product (Tiuttu, 2020). Young people from Generation Z (1997-

2012) who are the “spenders of tomorrow” are especially interested in the environmental aspects of packaging (Dimitrieska & Efremova, 2022). It is also very important for companies to use packaging for easy distribution, storage and promotion of the product. Today they work in a highly dynamic and uncertain environment (Zlateva, 2020). They face the challenges of the new age. Namely, they use the following layers of packaging: (Iverson, 2021)

- Primary packaging: packaging with which the product is directly protected during the production process and remains together with the product for the entire lifetime (jars, bottles, tubes, cans, bags, boxes, etc.),
- Secondary packaging: packaging that additionally protects the product and is removed before using the product. It influences the consumer's decision to buy the product with its attractiveness (thick paper, large corrugated boxes, bins, mailing bags, etc.) and
- Tertiary (shipping) packaging – it protects the product during storage and transportation (shipping containers, wooden pallets, etc.)

The new packaging trends are for them to be unique, by which the products will be differentiated from the competition, with creative designs, impressive colors, simple to handle and use, with easy-to-read texts, understandable graphics that will reflect the brand image and, most importantly, to be ecological, that is, to take care of the health of both people and the planet. Experts are increasingly talking about sustainable packaging. It is packaging that has less and less harmful effects on the environment over time (Forbes, 2023).

Sustainable packaging can be recyclable, recycled and compostable (Vivo packing, 2023). Recyclable refers to the use of materials that can be sorted, processed and transformed into new products (cardboards, paper, certain types of plastics). Recycled packaging refers to materials that are made from post-consumer and post-industrial recycled content. In this way, the demand for virgin materials is reduced and the extraction of natural resources is minimized. Compostable packaging refers to materials designed to break down naturally and return to the earth without leaving harmful residues behind (Pathak, 2014). This includes biodegradable materials such as plant-based plastics, natural fibers that are susceptible to microbiological decomposition in an industrial composting environment. Consumers need to be educated and involved in the recycling process. Companies must provide instructions for proper waste disposal and recycling practices. Only in this way, with a joint effort, we can save the planet, our only home.

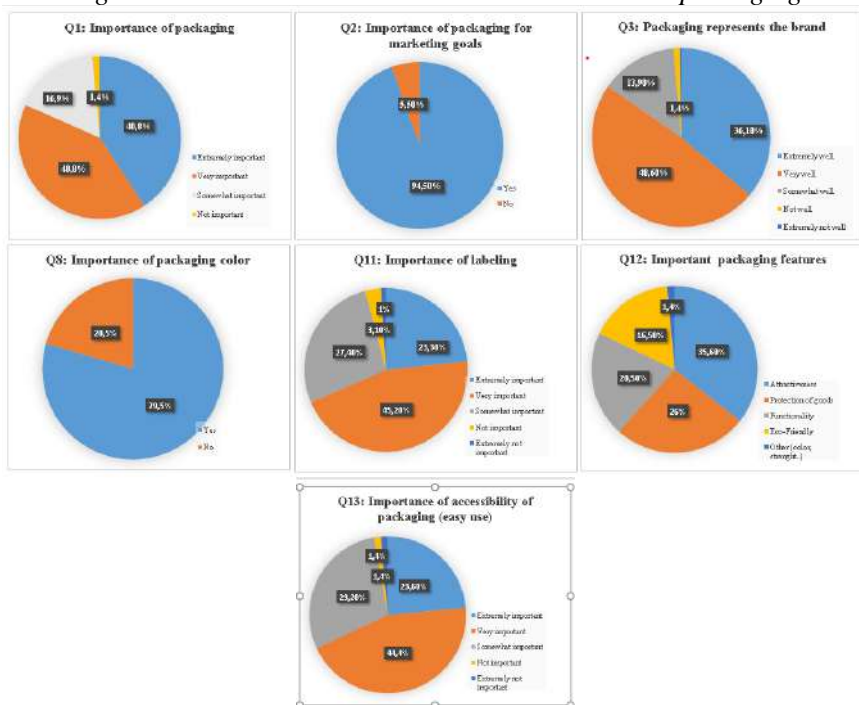
Methodology

This paper elaborates two surveys in detail, targeting individuals (primary data) and companies (secondary data). The primary research was done in the period March-June 2023 with an anonymous questionnaire containing 13 research questions. 73 respondents were surveyed electronically. The secondary research was taken from the blog Respublika (Prlja, 2019) and refers to the recycling of packaging carried out by Macedonian companies. The paper also uses other secondary data, such as books, publications, journals, reviews, mostly published on the Internet.

Analysis and discussion

The first research was conducted in the period March-June 2023 targeted individuals. In total 73 responses were received. The survey was conducted with an electronic anonymous questionnaire that required answers to 13 questions. The answers to the questions are shown in figures below, namely Figure 1: “Positive consumer comments about the packaging” and Figure 2: “Not so positive consumer comments about the packaging”.

Figure no.1 Positive consumer comments about the packaging



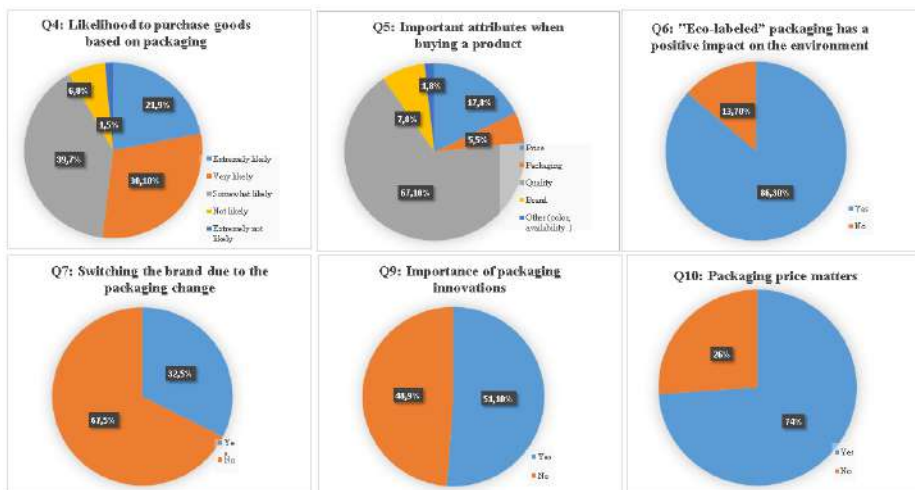
Source: Own research

The first Figure shows the respondents' positive answers about the packaging. This includes the answers to questions numbered 1, 2, 3, 8, 11, 12 and 13. Thus, to the first question about the importance of packaging, almost 82% of respondents answered that packaging is important to them. Only 1.5% of respondents do not care and are not interested in product packaging. 94.50% of respondents believe that companies achieve their marketing goals with packaging. A large percentage of respondents 98.60% (i.e. 48.60% persons responded with extremely good, 36.10% with very good and 13.90% with neither good nor bad) answered that the packaging represents the brand image well. Also, quite a high percentage of respondents 79.50% believe that the color of the packaging is important when buying products. Regarding labeling, 95.90% of the respondents consider it an important element of the packaging. When it comes to the features of packaging, respondents value attractiveness the most (35.60%), followed by product protection (26%), functionality (21%), and environmental protection (17%).

According to these answers, consumers think that packaging is important, that it serves to fulfill the marketing goals of the companies, and that it good represents the brand image. The color of the packaging is also important, but of all the characteristics, the most important is the attractiveness of the packaging together with its functionality, the protection of the products and the concern for the environment.

However, the answers to questions numbered 4,5,6,7,9 and 10 (Figure 2) show some confusion among consumers.

Figure no. 2 Not so positive consumer comments about the packaging



Source: Own research

Thus, the fourth question refers to the probability that the respondents will purchase products based on the packaging. Although respondents previously said that packaging is important, only 48% of them would buy products based on packaging alone. When asked what are the important attributes when buying a certain product, the answers were as expected, as the highest percentage 67% of the respondents replied that it is the quality, followed by the price with 18%. However, what is a bit surprising is that the packaging is almost at the last place with 5.5% of respondents who consider it to be an important attribute. It is even striking that for more respondents product to be a brand (8%) is more important than that it is well packaged. Another surprising answer is that almost 15% of the respondents do not believe that the eco-friendly packaging label is real and truly has a positive impact on the environment! Also a large percentage 68% of the respondents would not change the brand if the packaging of another similar or substitute product was changed. Even more surprising is that 51% of respondents do not consider packaging innovations to be important when making a purchase decision. However, Macedonian consumers are price sensitive, as shown by the data that 74% of them consider the price of the packaging to be important when purchasing products.

For the second research, the answers from the Respublika blog (2019) were used. Even though 15 Macedonian companies were asked about recycling plastic, paper, glass, metal and electronics, only three of them responded. The main purpose of this research was to find out exactly what is recycled in Macedonia according to the practice and experience of the companies. Below are the results by recycled materials:

1) Plastic: In companies, a large number of materials are not recycled due to small amounts of waste, expensive processing installations, as well as lack of support from the state in the form of subsidies (Prlja, 2019). In Macedonia, plastic from hygiene products, plastic packaging from yogurts and sour milk, cream is not recycled because it is a very expensive and uneconomical process. Practically, only transparent PET plastic is recycled, i.e. that of water bottles.

2) Paper: Macedonian companies do not recycle composite paper because there are no such facilities.

3) Glass: In the world, all glasses that do not have other impurities inside, such as wire in reinforced glass, glass with foils, etc., are recycled, but our companies do not have such facilities. Light bulbs that contain harmful chemicals, glass cups and glass containers, glass from windows and shop windows or mirrors are also not recycled worldwide because they are not made of the same glass. In addition, glass recycling centers do not accept broken glass anywhere! Our glass recycling containers are such that when you drop a bottle it will inevitably break. Additionally, the patch on the container clearly shows broken glass.

4) Metal: It is known that cans can be infinitely recycled, however in most world centers sprays, aluminum foil, metal hangers, needles, cutlery and the like are not accepted. In addition, an unwashed can cannot be recycled. Again a new confusion for consumers!

5) Electronics and machinery: Companies from this area have given a comprehensive explanation of their operations according to the Law on the Management of Electrical and Electronic Equipment. They explained that "collection companies, public utility companies, municipalities, recyclers, manufacturers/importers and citizens" are responsible for successful recycling and "In principle all electrical and electronic devices are recyclable or at least part of the device is recyclable while it has parts. Plastics from computers that contain fire suppressants, which are hazardous substances, are not recycled.

All these responses of the Macedonian companies show that in the field of recycling there is a lot of confusion and a lot of ambiguity. It is not known exactly what is really recycled and what is not. Therefore, companies must more clearly inform the public about what can be recycled (exact raw materials), how it is recycled (independently, through contractors...), where the recycling locations are (map of locations) and how waste is selected (flattened, well washed or cleaned).

On the other hand, the state should be more actively involved in the recycling process. It should ban, limit or tax non-recyclable materials. So they will not be used and will not end up in landfills. On the other hand, it can help companies with subsidies to be able to recycle or facilitate transport to countries that can recycle.

Conclusion

This paper illustrates the importance of packaging for consumers, companies and the environment, which leads to it being considered the 5th element of the marketing mix. From an insignificant part of management decisions and as a small segment of the "Product" element in the marketing mix, packaging is receiving increasing attention today. This is due to the vital functions that packaging has today, such as protecting the product, informing about the product, recognition of brands, promoting the product. Promotion is carried out through the distinctive packaging elements, such as shape, design, colors, text, graphics, etc. Packaging is the product's first contact with the consumer. Today, attention is also paid to ecological packaging, which should do less harm to human health and the planet. The world is increasingly talking about the application of so-called sustainable packaging based on recycled materials, biodegradable natural materials that are less harmful to the environment.

According to research done with Macedonian consumers and companies, it can be noted that the awareness of the new recycling trend is still at a low level. Consumers would not pay for higher environmental packaging, nor would they switch brands if a similar or

substitute product with environmental packaging appeared on the market. Companies, on the other hand, do not recycle due to a small amount of waste or lack of recycling facilities that are too expensive. They expect help from the state in the form of subsidies to engage themselves more seriously in recycling.

This paper gives a picture of the recycling situation in Macedonia which is not good and certain steps must be taken as soon as possible for the health of people and the health of the planet which is our only home for now.

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