

# Swiss Army converts to MWV Natralock®

## The Company: Victorinox® Swiss Army®

In 1897, the original Swiss Army Knife was created in the small village of Ibach, Switzerland. Since that time, Victorinox has become well-known for precision, quality, functionality and versatility, in more than 100 countries. A century later, the business of Victorinox Swiss Army is still cutting edge. In addition to being known for its multi-tools, the company has become world renowned for its prestigious brand of watches, travel gear, sportswear and fragrance. These products are a testament to the ingenious design and outstanding durability Victorinox has come to stand for.

## MWV Natralock and Victorinox

In July 2008, discussions began between MWV's Natralock team and the U.S. division of Swiss Army. During the next 18 months, the MWV packaging consultants led by David Gray, Natralock's Business Development Manager, engaged with various Swiss Army leaders to gain deeper insight into their business challenges. It was absolutely critical to understand the U.S. supply chain and the global operations that support the client business model to deliver the most comprehensive solution. At the conclusion of the discovery phase, MWV delivered a comprehensive recommendation which included the following.

1. Redesign the packaging structure, while complying with FTC guidance in sustainability
2. Refresh the brand graphics
3. Redefine the fulfillment process

In August 2009, Natralock package designs were approved by U.S. retailers and Swiss Army's global partners. The first order for Natralock packaging was placed and the conversion started immediately in Europe. In the U.S., Swiss Army decided to move the packaging operation in-house to reduce costs and improve efficiencies. The first packaging fulfillment in the U.S. will begin in March 2010.

## Victorinox's Three Packaging Challenges

### Challenge 1 – Sustainable packaging re-design

As pressure from retailers requiring more sustainable solution and consumers' desires for easier and safer-to-open packaging amplified, one of the most recognized and cherished brands chose to address these challenges directly.

"Our intentions were to move out of PVC clamshell and become more sustainable with our packaging. The potential to switch over to PET was not an option for us because it did not fully achieve our environmental objective. From our consumer's view, PVC or RPET, at the end of the day, was still plastic. However, more importantly, we recognized the need for structural and graphical changes that would resonate and connect with our customers," said Chris Costa, Manager of Packaging and Product at Swiss Army, who led the transformation effort.

This recognition initiated the search for packaging that would not only satisfy retailers and consumers, but also accurately represent the brand message and image on the shelf.

### Solution to Challenge 1: Structural Redesign

To address the packaging redesign challenge, the Natralock Structure Design team at MWV's Center for Packaging Innovation in Raleigh, NC was engaged. Through collaboration, the team was able to identify commonality among the Swiss Army pocket multi-tools products. The result was the development of two common package sizes to accommodate 115 products and three types of tooling used on the production line.

"Natralock is a cost competitive solution from a packaging components perspective and thus reduces the number of packaging components by 33%," said Costa.

### Solution to Challenge I: Brand Refresh

As a part of the redesign effort, the brand graphics were also refreshed by the MWV Brand Strategy team, based in Los Angeles. The Brand Strategy team launched a comprehensive evaluation of Swiss Army's brand positioning. One key finding was an inconsistency of its superior brand image from the website to its packaging. Swiss Army needed to extend the brand stories being told on the website through vivid imagery on the retail package to create an emotional bond with its consumers. The Brand Strategy team's concept was simple: every picture tells a story. The packaging would reflect a storyline to take the audience on a visual journey through the challenges of nature and illustrate the need for a Swiss Army pocket multi-tool.

"The initial reaction by all division was 'WOW'. Through true partnership, Natralock created a package that reduced case size and weight, improved billboard space while still having the impactful graphics. I did not have to 'sell' it internally. Everyone got it immediately. It told its own story," commented Chris Costa.

### Challenge II – Complying with labels and managing inventory

Swiss Army was faced with having to stock up to nine different configurations of many of their pocket multi-tool products to meet the secondary compliance labeling and EAS security tagging requirements by major U.S. retailers.

- Target® required a checkpoint security tag and a special product label
- Wal-Mart® required a sensormatic security tag
- L.L. Bean® required a special product code label on each package.

In addition to tagging requirements, Swiss Army's inventory practice was to store ready-to-be-shipped packages for key retail customers. So when one of the key customers placed an order larger than expected, Swiss Army could not meet the demand. This created a false out-of-stock situation, even though they had plenty of inventory. This process was not only costly, but also hindered its speed-to-market strategy.

### Solution to Challenge II: Fulfillment Revamp

After a thorough investigation, MWV's Engineering team concluded that it would be more beneficial for Swiss Army to bring the fulfillment operation in-house to reduce costs, gain efficiencies and meet the demands of its customers. Instead of carrying retailer specific inventory, Swiss Army will be able to react to retailer orders by incorporating a label-on-demand system at their distribution center. The re-engineering of the packaging fulfillment process will reduce shipping costs and shorten lead time.

"The ease of (Natalock) manufacturing was the trigger point to enable us to move our packaging operations in-house," said Costa.



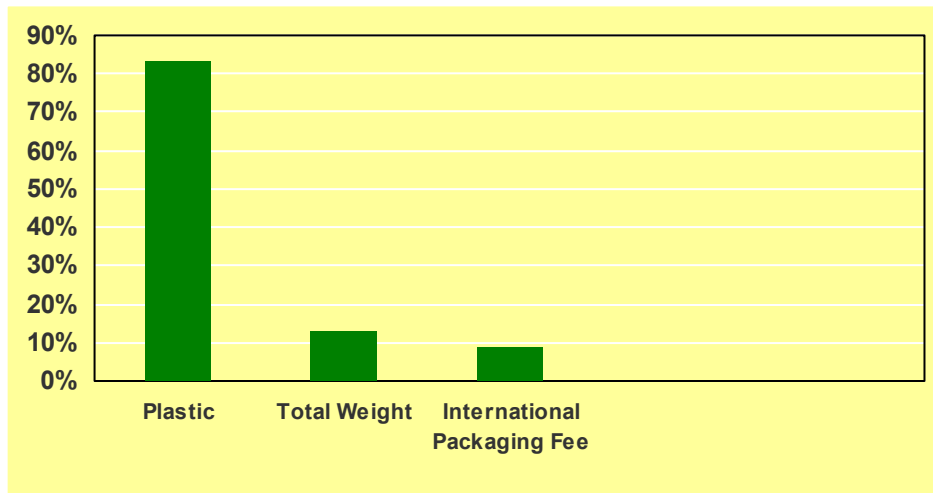
### Challenge III – Packaging fulfillment process

In the U.S., Swiss Army packaging fulfillment was subcontracted to two co-packers. The packaging fulfillment process involved shipping bulk products and packaging materials to the co-packers, who then shipped the finished goods back to Swiss Army, adding opportunity and shipping costs.

### Solution to Challenge III: Inventory management cost decreased

The new fulfillment process will reduce inventory carrying costs since Swiss Army is able to reduce stock categories for retailer-specific compliance labeling requirements. Compliance labeling is performed on demand in most instances with the newly engineered process. The number of products stocked at the Swiss Army U.S. distribution center can be reduced by as much as 50% as a result of the new process, reducing inventory costs and meeting customers' expectations.

## Percent Reduction Converting from Clamshell to Natralock Packaging



Environmental Packaging International Result for Single Classic SD Knife by Victorinox Swiss Army

### Creating a true partnership

“We are not trail blazers but the changes we implemented made us a poster child in the eyes of our customers. They looked at the end product and got very excited about what we were able to accomplish. The major retailers like Wal-Mart are now sharing our story to other brand owners that are still using clamshell packaging.

I get a lot of other vendors claiming how we are partners but the reality is we are not. The partnership with MWV is a real partnership not an illusion. David Gray and the Natralock team stepped up to each and every challenge and performed above and beyond the typical supplier relationship. A true partnership is not about shaking hands; it's about working together to achieve greater results. Swiss Army is globally supportive and ecstatic about our relationship. I can say every Natralock team member introduced to me has added value to our partnership.”

— **Chris Costa, Manager of Packaging and Product at Swiss Army**