

# Are Big-Box Retailers Becoming Packaging Manufacturers?

Why Retailers Are Taking Control — and What It Means for the Future of Packaging

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For decades, the packaging industry operated within a familiar structure: brand owners dictated design, packaging manufacturers produced to spec, and retailers simply merchandised finished goods. That model is changing rapidly. Today, the world's largest retailers—Walmart, Target, Amazon, Costco, Kroger, CVS and others—are increasingly taking control of packaging strategy, sustainability standards, material selection, and private-label product development. Many are acting more like brand owners, packaging engineers, and sustainability strategists than traditional merchants.

But are big-box retailers truly becoming packaging manufacturers? Not exactly. Instead, they are creating a new hybrid role: **retail-led packaging governance**, where the retailer defines, dictates, and controls packaging—while still outsourcing the physical converting to packaging suppliers. This shift is reshaping the entire supply chain and redefining how packaging companies, converters, co-packers, and product manufacturers must operate.

## The Rise of Retail-Led Packaging Control

The most striking trend is the rise of aggressive retailer-owned brand programs. Private-label products—once perceived as low-end alternatives—now represent some of the most sophisticated branding and packaging in the store. As private-label share grows, retailers want tighter control over both product experience and packaging performance.

### Walmart: Designing the Rules, Not the Boxes

Walmart has some of the most advanced packaging governance in North America. The company's private-brand packaging goals—100% recyclable, reusable, or industrially compostable; reduced virgin plastic; and increased PCR—have become mandatory frameworks for thousands of suppliers. Walmart doesn't run corrugators or extrusion lines, but it absolutely dictates materials, recyclability standards, labeling, and packaging format. Packaging suppliers are increasingly evaluated against sustainability scorecards and recyclability protocols before they can even bid.

### Target: Packaging as a Sustainability Identity

Few retailers blend design and sustainability like Target. Their owned-brand packaging initiatives push beyond traditional materials, as shown with their introduction of paper-based wine bottles made from 94% recycled materials. Target treats packaging as a brand-building tool, ensuring consistency across its extensive portfolio of private brands. Again, manufacturing is outsourced, but packaging strategy and direction are centralized and tightly controlled.

## **Costco: The Kirkland Signature Effect**

Costco's Kirkland Signature line has become a global case study in private-label excellence. Packaging plays a central role in perceived quality, operational efficiency, and sustainability. Costco has expanded How2Recycle labeling, standardized structural formats, and streamlined master-case packaging for streamlined palletization. The retailer isn't making the packaging, but it's dictating its recyclability, labeling, dimensions, and display-ready structure.

## **Amazon: The World's Most Influential Packaging Standards**

No retailer has more influence on packaging engineering than Amazon. Through Frustration-Free Packaging (FFP), Ships-In-Own-Container (SIOP), and ISTA6 testing, Amazon has reshaped packaging design for the entire ecommerce ecosystem. Amazon's packaging labs and algorithms determine what materials, board grades, and container styles can be used—and any vendor who fails to comply faces penalties. Amazon may not extrude film or manufacture boxes, but in every practical sense, it is now one of the most powerful packaging "controllers" in the industry.

# **Why Retailers Are Doing This**

This shift toward retailer-controlled packaging is driven by several converging forces:

## **1. The Private-Label Boom**

Private labels are no longer budget alternatives. They're premium, curated, high-margin brands—and retailers want full control over presentation and quality. Packaging is the first impression.

## **2. Sustainability Pressure (Consumer, Regulatory, and Internal)**

Retailers face intense pressure to reduce waste, lower carbon footprints, and meet circularity goals. The only way to ensure compliance is to control packaging design upstream.

## **3. Cost Optimization and Supply-Chain Efficiency**

Every major retailer is under pressure to reduce logistics costs. Packaging—materials, dimensions, cube efficiency, and durability—directly impacts freight, labor, and damage rates. Central control allows retailers to standardize and optimize at scale.

## 4. Branding and Shelf Identity

Owned brands are becoming long-term strategic assets. Packaging consistency reinforces retailer identity just as much as national brands—and retailers are unwilling to outsource that competitive advantage.

## A New Reality: Retailers Set the Specs, Suppliers Must Adapt

It's critical to understand that **retailers are not becoming packaging manufacturers**. Running a corrugator plant or film extrusion facility requires capital, labor, and regulatory oversight that retailers aren't seeking.

Instead:

- Retailers write detailed packaging standards.
- Retailers set sustainability, material, and recyclability requirements.
- Retailers approve packaging formats and dimensions.
- Retailers dictate testing requirements for durability, ISTA compliance, and ecommerce readiness.
- Retailers require suppliers to use specific labeling systems (e.g., How2Recycle).
- Retailers exert control over brand appearance through centralized design teams.

The actual boxes, bottles, pouches, and films still come from the same major packaging manufacturers—but under retailer-owned specifications rather than brand-owner direction.

This shift is redefining how packaging suppliers must operate. The days of offering a menu of materials and hoping for a fit are over. Retailers want:

- Recyclable monomaterial films
- PCR-rich rigid plastics
- Molded fiber alternatives
- Right-sized corrugated
- SIOC-compliant structures
- Retail-ready and shelf-ready designs
- Verified sustainability documentation

Packaging manufacturers who cannot meet these demands risk being cut out of large retail channels entirely.

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# What This Means for Packaging Suppliers, Converters, and Consultants

The rise of retailer-controlled packaging creates tremendous opportunity for companies and consultants who understand how to navigate the new rules:

## For Packaging Manufacturers & Converters

- Align your portfolio with the sustainability and recyclability goals of major retailers.
- Develop SKU-specific solutions for private-label product families.
- Invest in testing capability (ISTA, drop, vibration, environmental).
- Build systems to provide ESG documentation retailers increasingly require.

## For Brand Owners & Co-Packers

- Expect retailers to demand design modifications even for existing SKUs.
- Build packaging redevelopment into cost of goods planning for private label.
- Prepare for audits, sustainability scorecards, and stricter compliance checks.

## For Packaging Consultants

This is a golden moment.

Retailers need expert support in:

- Sustainable packaging roadmaps
- Material transitions (multi-layer to mono-layer, plastic to fiber)
- Packaging performance testing and redesign
- Vendor qualification and supply-chain optimization
- Ecommerce packaging compliance (FFP, SIOC, ISTA6)
- SKU and materials rationalization
- Cost-reduction without quality loss
- Innovation pilots (paper bottles, molded fiber, compostable substrates)

Suppliers and co-packers need guidance on:

- Meeting each retailer's specific packaging standards
- Avoiding chargebacks, compliance penalties, and logistical failures
- Preparing packaging portfolios for 2025–2030 sustainability targets
- Communicating improvements in retailer-approved language

Retailer-led packaging governance is increasing complexity—and complexity is where experienced consultants add the most value.

# The Bottom Line: Retailers Are Not Making Packaging. They're Controlling It.

Big-box retailers are not becoming packaging manufacturers in the literal sense. They aren't buying paper mills or film extrusion plants. But they **are** becoming the most influential force in packaging decision-making:

- They define the sustainability targets.
- They dictate material selection.
- They decide packaging formats.
- They set labeling and recyclability requirements.
- They approve or reject packaging designs.

Packaging companies still make the packaging—but retailers increasingly write the rules.

This shift is transforming the industry. Those who adapt, innovate, and align with retailer-controlled specifications will thrive. Those who don't will be left behind.