CANADEAN

Packaging

Panel Report

Global Packaging Survey 2012–2013:

Market Trends, Marketing Spend and Sales Strategies in the Global Packaging Industry

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1 Introduction

1.1 What is This Report About?

This report is the result of an extensive survey drawn from Canadean's exclusive panel of leading packaging industry companies. As slow growth in the US market, lower commodity prices in Latin America, and the devaluation of the Euro in Central and Eastern Europe constrict global economic growth, this report provides the reader with a definitive analysis of the industry outlook and explores how opportunities and demand are expected to change in 2012–2013. Furthermore, this report not only grants access to the opinions and strategies of business decision makers and competitors, but also examines their actions concerning business priorities. The report also provides access to information categorized by region, company type, and company size.

The report also examines:

- **Revenue growth expectations:** projects revenue growth expectations of key industry stakeholders
- **Market-specific growth opportunities:** identifies top growth regions in order that companies can allocate their marketing activities and budgets effectively
- **Mergers and acquisitions:** expectations surrounding merger and acquisition activity and core influencing factors
- **Capital expenditure:** identifies the change in capital expenditure of a packaging industry buyer or a supplier company to provide a balanced future growth with capital returns
- **Leading business concerns:** identifies leading business concerns and subsequent efforts to negate them
- **Marketing expenditure trends:** tracks the marketing budgets of supplier companies and forecasts the possible changes to expenditure
- **Key factors for marketing agency selection:** provides insights into the marketing needs of competitors among supplier companies

1.2 Definitions

- **Packaging buyers (buyer):** These are packaged goods manufacturers of fast-moving consumer goods (FMCGs) such as food and beverages, pharmaceutical and household products. This group is also comprised packaging converters or companies that buy packaging material from suppliers in order to supply finished packaging products to goods manufacturers.

- **Packaging suppliers (supplier):** These consist of industry suppliers, service providers, industry observers, and a small number of non-supplier industry observers such as trade bodies or government organizations.

- **Capital expenditure (capex):** It covers research and development (R&D) and the procurement, maintenance, transportation, storage and marketing of packaging materials. It also includes expenditure on capacity expansion, new machinery procurement and upgrading plants and equipment.

- **Green packaging solutions:** These include sustainable packaging solutions, that are considered eco-friendly, recyclable and originates from renewable sources.

- **Cosmeceuticals:** These are defined as the cosmetic products formed with the combination of cosmetics and pharmaceuticals. These cosmetic products with biologically active ingredients have medical or drug-like benefits.
- **Company turnover:** Companies with turnover of less than US$100 million are identified in the report as small companies. Companies with turnover between US$100 million–US$1 billion are referred to as medium sized companies and those with turnover of more than US$1 billion as large companies.

2 Executive Summary

The global packaging industry anticipates marginal revenue growth in 2012

Of respondents across the industry, 44% are ‘more optimistic’ about revenue growth for their company over the next 12 months as compared to the previous 12 months. Strong growth in emerging markets such as India and China has contributed to an increase in revenue optimism. The packaging sector in India is growing considerably and is expected to increase over the next two years due to high demand from industry sectors such as food and beverage and pharmaceutical packaging.

The top three key expected changes for 2012 are the introduction of ‘improving operational efficiency’, ‘new products and services’, and ‘expand in current market’. Overall, the key expected changes in business structure for packaging buyers in 2012 have not changed considerably from those identified in 2011.

Mergers and acquisitions in the industry is expected to increase in 2012

Industry executives expect to see increased levels of consolidation, with 55% of respondents anticipating either a ‘significant increase’ or an ‘increase’ in merger and acquisition (M&A) activity over the next 12 months. Noticeably, there has been no substantial change in expectations of consolidation among packaging companies in 2012 when compared to 2011 survey results. The higher expected levels of consolidation in the packaging industry are due to new cost or demand pressures, repayment of debts, the potential need to meet new compliance procedures or gain quick access to new markets, business expansion, and attempts to increase market share.

Eastern Europe, China, and India are the most important emerging markets

According to 43% of packaging buyer respondents, Eastern Europe is considered the most important region for growth amongst emerging markets, along with India, China, and Brazil, according to 35%, 33%, and 28% of respective respondents. Additionally, packaging supplier respondents consider China to be a promising market for growth, followed by India and Eastern Europe. As in most emerging markets, China has a high growth potential due to its growing domestic demand for consumer products resulting from a rising middle-income population and growing affluence.

Survey results indicate that the top five developed countries expected to generate the significant demand for global packaging industry in 2012 are the US, the UK, Germany, Singapore, Taiwan and Hong Kong, and Australia. The US is a chief packaging market and the prime location of many packaging companies. The US government is in the process of establishing stringent regulatory policies for the food and beverage sector, as a result of which manufacturers of food processing packaging materials and machinery are being forced to invest in research and development, and new facilities to comply with regulatory standards.

Companies face key challenges in 'raw material prices', 'market uncertainty' and 'responding to pricing pressure'

'Raw material prices', 'market uncertainty', and 'responding to pricing pressure' are the most immediate business concerns for the industry. Additionally, regardless of turnover, 'raw material prices', 'market uncertainty', and 'responding to pricing pressure' are considered leading business concerns. Furthermore, buyer respondents across all regions rank 'innovate products' as the leading action suppliers should take to secure business, while senior-level executives identify the need to 'innovate products', 'provide support for generating new business', and 'reduce prices'.

Packaging supplier marketing budgets are expected to rise by 5.9% in 2012

Canadean's industry survey revealed that the marketing budgets of packaging suppliers are expected to rise by an average of 5.9% over the next 12 months and the expected levels of increase in average marketing budgets have reduced slightly in comparison to 2011. In section 3.1, most industry executives expect a rise in revenue for 2012, and subsequently suppliers also plan to increase their marketing expenditure for 2012.

'Email and newsletters', 'social media and networking sites' and 'corporate and brand websites' to dominate future investment

'Email and newsletters', 'social media and networking sites', and 'corporate and brand websites' are expected to record the strongest investment, as identified by 44%, 37%, and 34% of respective respondents. Email marketing is a low cost yet highly efficient way of reaching potential customers, and consequently, many marketers are including it in their strategies. Conversely, the effectiveness of traditional media such as 'television and video', 'outdoor', 'radio', and 'newspapers' is gradually declining due to the minimal options for differentiation, high costs, and low target segmentation associated with such channels. They are therefore expected to attract the lowest levels of investment in 2012.

'Customer retention', 'customer acquisition' and 'brand building' dominates key marketing aim of suppliers for 2012–13

The key marketing aims for supplier companies are 'customer retention', 'customer acquisition', and 'brand building and awareness', as projected by 62%, 40%, and 38% of respondents respectively. The most significant strategy that packaging suppliers plan to employ in 2012 is to 'focus sales efforts on generating new business', as identified by 59% of respondents. Other amendments expected to be implemented by supplier companies include the 'trial of new and innovative products' and 'focus on sales efforts on existing markets', as stated by 52% and 42% of respondents respectively. Supplier respondents are expected to invest more on new media such as 'email promotions', 'networking through social media websites', and 'community and industry online forums'.

‘Ability to target specific audience niches’, ‘flexibility in customizing services’, and ‘strategic and tactical consulting’ are the three leading critical success factors for suppliers in 2012

The ‘ability to target specific audience niches’ is considered the most critical success factor, this strategy helps to lower costs as the consumer base is limited to a very specific target audience. At present, most supplier companies prefer to focus their marketing strategy on a narrow section of prospective customers instead of the total market. Similarly, ‘flexibility in customizing services’ is identified as the other most crucial factor for the business continuity. Therefore, companies endeavor to incorporate more flexibility, scalability, extensibility, and integration across their distribution channels. This encourages collaborative relationships with partners

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