

**Global Packaging Industry CEO
Business Outlook Survey 2012–2013**

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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 C-level respondents consisting of CEOs and other senior level respondents such as president, managing director, and board members from 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
- **Procurement expenditure trends:** tracks the procurement budgets of buyer companies and forecasts the possible change in spending
- **Factors for supplier selection:** understands critical factors influencing supplier selection
- **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

2 Executive Summary

The global packaging industry anticipates marginal revenue growth in 2012

Of C-level respondents across the industry, 45% are 'more optimistic' about revenue growth for their company over the next 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 the 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 'expand in current market', 'improving operational efficiency', and 'new products and services'.

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

Industry executives expect to see increased levels of consolidation, with 61% of C-level respondents anticipating either a 'significant increase' or an 'increase' in merger and acquisition (M&A) activity over the next 12 months. 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.

China, India, and the Middle East are the most important emerging markets

According to 27% of respective C-level respondents, China, India, and the Middle East are considered the most important regions for growth amongst emerging markets. 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 most significant demand for global packaging industry in 2012 are the US, Australia, and Canada. 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. Furthermore, C-level respondents across all regions rank 'raw material prices' as the leading action suppliers should make to secure business.

Average annual procurement budgets is forecasted to increase in 2012

The projected average global annual procurement budget for buyer respondents is US\$85 million in 2012. Additionally, procurement budgets are expected to rise over the next 12 months by an average of 11.5%. At present, companies are looking to add value to packaging as an effective strategy in an increasingly competitive industry. As a result, companies are focused on developing innovative branding solutions and unique packaging designs, which accounts for the increases to their procurement budgets. Companies are also expected to invest in developing sustainable packaging to reduce costs and enhance brand value.

Furthermore, of all buyer respondents, 66% expect an increase in supplier prices, while 8% expect a decrease and 25% expect no change. Respondents across medium-sized companies expect an increase in regional supplier prices more than is expected by respondents from small and large-sized companies.

'Quality', 'level of service', and 'price' are considered critical factors for supplier selection

'Quality', 'level of service', and 'price' are considered very important factors for C-level respondents while selecting a supplier, whereas 'supplier's environmental record', 'supplier's CSR reputation', and the 'proximity of supplier operations' are considered the least important factors. Noticeably, 58% of C-level respondents from packaging companies are looking to prioritize 'internal operating cost reductions' for the next 12 months.

The implementation of e-procurement is a priority for 42% of C-level respondents, while 33% confirm that they are already in the process of implementing e-procurement in their companies. In total, 75% of C-level respondents therefore indicate acceptance of e-procurement, and this is evidence of the prime potential for IT services in the global packaging industry.

Packaging marketing budgets are expected to rise by 7.4% in 2012

Canadean's industry survey revealed that the marketing budgets of packaging industry C-level respondents are expected to rise by an average of 7.4% over the next 12 months. The average expected size of global, annual marketing budgets of packaging C-level respondents in 2012 is US\$4 million. The responses reveal that companies are devising aggressive marketing plans that correspond with the positive growth expectations projected by respondents in section [3.1](#).

'Email and newsletters', 'social media and networking sites' and 'public relations' to dominate future investment

'Email and newsletters', 'social media and networking sites', and 'public relations' are expected to record the strongest investment, as identified by 47%, 44%, and 36% 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', 'lead generation', and 'brand building and awareness' dominates key marketing aims of suppliers for 2012–2013

The key marketing aims for supplier companies are 'customer retention', 'lead generation', and 'brand building and awareness', as projected by 91%, 74%, and 71% of C-level 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 58% of C-level 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 39% and 44% of C-level 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 'ability to generate leads or setup customer meetings' are the three leading critical success factors for C-level respondents in 2012

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

TABLE OF CONTENTS

1	Introduction	6
1.1	What is This Report About?	6
1.2	Definitions	6
1.3	Methodology	7
1.4	Profile of Global Packaging Industry C-level Survey Respondents	9
2	Executive Summary	10
3	Global Packaging Industry Dynamics: C-level Respondents	13
3.1	Revenue Growth Expectations in the Global Packaging Industry	14
3.1.1	Revenue growth projections in the global packaging industry by region	15
3.2	Future Developments in Business Structure in the Global Packaging Industry	17
3.2.1	Future developments in the global packaging industry	17
3.2.2	Future developments in the global packaging industry by region	19
3.3	Merger and Acquisition Activity Projections in the Global Packaging Industry	20
3.3.1	Merger and acquisition activity projections in the global packaging industry	20
3.3.2	Merger and acquisition activity projections in the global packaging industry by region	22
3.4	Capital Expenditure Projections: Global Packaging Industry	23
3.4.1	Projection of capital expenditure in the global packaging industry	23
3.4.2	Projection of capital expenditure in the global packaging industry by company turnover	26
3.5	Planned Change in Staff Recruitment in the Global Packaging Industry	27
3.5.1	Planned change in staff recruitment in the global packaging industry	27
3.5.2	Planned change in staff recruitment in the global packaging industry by region	28
4	Global Packaging Industry Market Growth Outlook: C-level Respondents	30
4.1	Global Packaging Industry: Demand in Emerging Markets	31
4.2	Global Packaging Industry: Demand in Developed Markets	34
5	Threats and Opportunities for the Global Packaging Industry: C-level Respondents ..	37
5.1	Global Packaging Industry: Leading Business Concerns for 2012–2013	38
5.1.1	Global packaging industry: leading business concerns for 2012–2013 by region	41
5.2	Global Packaging Industry: Key Supplier Actions to Maintain and Win Buyer Business	43
5.2.1	Global packaging industry: actions to maintain and secure buyer business	43
5.2.2	Global packaging industry: actions to maintain and secure buyer business by region	44
6	Global Packaging Industry Buyer Spend Activity: C-level Respondents	46
6.1	Annual Procurement Budgets in the Global Packaging Industry	47
6.2	Global Packaging Industry: Planned Change in Procurement Expenditure	48
6.3	Planned Change in Procurement Expenditure by Product and Service Category	50

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6.4 Global Packaging Industry: Variations in Regional Supplier Prices	53
7 Global Packaging Industry Procurement Behaviors and Strategies: C-level Respondents	54
7.1 Critical Success Factors for Supplier Selection in the Global Packaging Industry.....	55
7.2 Future Procurement Objectives in the Global Packaging Industry	56
7.3 E-procurement in the Global Packaging Industry.....	58
8 Global Packaging Industry Marketing Spend Activity: C-level Respondents	60
8.1 Annual Marketing Budgets: Global Packaging Industry	61
8.2 Global Packaging Industry: Planned Change in Marketing Expenditure Levels	62
8.3 Global Packaging Industry: Future Investment in Media Channels	64
8.4 Global Packaging Industry: Future Investment in Marketing and Sales Technology	67
9 Global Packaging Industry Marketing and Sales Behaviors and Strategies in 2012: C-level Respondents	69
9.1 Global Packaging Industry 2012: Key Marketing Aims	70
9.2 Global Packaging Industry: Essential Amendments to Marketing Activities 2012–2013.....	72
9.3 Global Packaging Industry: Use of New Media for Business Prospects.....	74
9.4 Global Packaging Industry: Critical Factors for Choosing a Marketing Agency	76
10 Appendix	78
10.1 Global Packaging Industry - C-level Respondents Full Survey Results	78
10.2 About Canadean	105
10.3 Disclaimer	105

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LIST OF FIGURES

Figure 1: Revenue Growth Optimism in the Global Packaging Industry(%), 2012	15
Figure 2: Revenue Growth Optimism in the Global Packaging Industry by Region (%), 2012	16
Figure 3: Key Expected Changes in Business Structure: Global Packaging Industry (%), 2012	18
Figure 4: Key Expected Changes in Business Structure by Region: Global Packaging Industry (%), 2012	19
Figure 5: Merger and Acquisition Activity: Global Packaging Industry (%), 2012.....	21
Figure 6: Merger and Acquisition Activity by Region: Global Packaging Industry (%), 2012	23
Figure 7: Global Packaging Industry: Projection of Capital Expenditure (%), 2012.....	25
Figure 8: Global Packaging Industry: Projection of Capital Expenditure by Turnover (%), 2012	26
Figure 9: Global Packaging Industry: Planned Change in Staff Recruitment (%), 2012.....	28
Figure 10: Global Packaging Industry: Planned Change in Staff Recruitment by Region (%), 2012	29
Figure 11: Global Packaging Industry: Top Ten Growth Regions, 2012	30
Figure 12: Global Packaging Industry: Top Five Emerging Markets, 2012	31
Figure 13: Global Packaging Industry: Demand in Emerging Markets (%), 2012	33
Figure 14: Global Packaging Industry: Top Five Developed Regions by Growth, 2012	34
Figure 15: Global Packaging Industry: Growth Projections in Developed Markets (%), 2012	36
Figure 16: Global Packaging Industry: Leading Business Concerns (%), 2012–2013	39
Figure 17: Global Packaging Industry: Top Five Leading Business Concerns, 2012–2013	40
Figure 18: Global Packaging Industry: Leading Business Concerns by Region (%), 2012 –2013.....	42
Figure 19: Global Packaging Industry: Securing Buyer Business (%), 2012.....	44
Figure 20: Global Packaging Industry: Securing Buyer Business by Region (%), 2012.....	45
Figure 21: Global Packaging Industry: Annual Procurement Budgets in US\$ (%), 2012.....	47
Figure 22: Global Packaging Industry: Planned Change in Total Procurement Expenditure (%), 2012	49
Figure 23: Global Packaging Industry: Change in Spend on Products and Services (%), 2012.....	52
Figure 24: Global Packaging Industry: Future Procurement Objectives (%), 2012	57
Figure 25: Global Packaging Industry: E-Procurement, Level of Implementation (%), 2012	59
Figure 26: Annual Marketing Budgets in the Global Packaging Industry (%), 2010–2012	61
Figure 27: Planned Change in Marketing Expenditure Levels: Global Packaging Industry (%), 2010–2012.....	63
Figure 28: Future Investment in Media Channels: Global Packaging Industry (%), 2012.....	66
Figure 29: Global Packaging Industry: Planned Investment in Marketing and Sales (%), 2012	68
Figure 30: Key Marketing Aims: Global Packaging Industry (%), 2012.....	71
Figure 31: Amendments to Marketing Activities: Global Packaging Industry (%), 2012	73
Figure 32: Use of New Media by Global Packaging Industry, (%), 2012.....	75
Figure 33: Critical Factors for Choosing a Marketing Agency: Global Packaging Industry (%), 2012.....	77

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LIST OF TABLES

Table 1: Global Packaging Industry Survey: C-level Respondents by Company Type (%), 2012	9
Table 2: Global Packaging Industry: C-level Respondents by Company Turnover (%), 2012.....	9
Table 3: Global Packaging Industry: C-level Respondents by Region (%), 2012.....	9
Table 4: Revenue Growth Optimism in the Global Packaging Industry(%), 2012	14
Table 5: Revenue Growth Optimism in the Global Packaging Industry by Region (%), 2012	16
Table 6: Key Expected Changes in Business Structure: Global Packaging Industry (%), 2012	18
Table 7: Key Expected Changes in Business Structure by Region: Global Packaging Industry (%), 2012	19
Table 8: Merger and Acquisition Activity: Global Packaging Industry (%), 2012	21
Table 9: Merger and Acquisition Activity by Region: Global Packaging Industry (%), 2012	22
Table 10: Global Packaging Industry: Projection of Capital Expenditure (%), 2012	24
Table 11: Global Packaging Industry: Planned Change in Staff Recruitment (%), 2012	27
Table 12: Global Packaging Industry: Planned Change in Staff Recruitment by Region (%), 2012	28
Table 13: Global Packaging Industry: Demand in Emerging Markets (%), 2012.....	32
Table 14: Global Packaging Industry: Growth Projections in Developed Markets (%), 2012.....	35
Table 15: Global Packaging Industry: Leading Business Concerns (%), 2012–2013.....	39
Table 16: Global Packaging Industry: Leading Business Concerns by Region (%), 2012–2013.....	41
Table 17: Global Packaging Industry: Securing Buyer Business (%), 2012.....	43
Table 18: Global Packaging Industry: Securing Buyer Business by Region (%), 2012	45
Table 19: Global Packaging Industry: Annual Procurement Budgets in US\$ (%), 2012.....	47
Table 20: Global Packaging Industry: Planned Change in Total Procurement Expenditure (%), 2012.....	49
Table 21: Global Packaging Industry: Change in Spend on Products and Services (%), 2012.....	51
Table 22: Global Packaging Industry: Variations in Regional Supplier Prices (%), 2012	53
Table 23: Critical Success Factors for Supplier Selection: Index Score, 2012	55
Table 24: Global Packaging Industry: Future Procurement Objectives (%), 2012	57
Table 25: Global Packaging Industry: E-Procurement, Level of Implementation (%), 2012	59
Table 26: Annual Marketing Budgets in the Global Packaging Industry (%), 2010–2012	61
Table 27: Planned Change in Marketing Expenditure Levels: Global Packaging Industry (%), 2010–2012	62
Table 28: Future Investment in Media Channels: Global Packaging Industry (%), 2012.....	65
Table 29: Global Packaging Industry: Planned Investment in Marketing and Sales (%), 2012	68
Table 30: Key Marketing Aims: Global Packaging Industry (%), 2012.....	70
Table 31: Amendments to Marketing Activities: Global Packaging Industry (%), 2012	73
Table 32: Use of New Media by Global Packaging Industry (%), 2012.....	74
Table 33: Critical Factors for Choosing a Marketing Agency: Global Packaging Industry(%), 2010–2012	76
Table 34: Global Packaging Industry, C-level Respondents: Survey Results - Closed Questions	78