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PACKAGING

Survey Intelligence

Trends in Packaging Products and Implementation of Packaging Techniques in the Packaging Industry - 2011–2012: Survey Intelligence

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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 new product development is critical for healthy business growth, this report provides the reader with a definitive analysis of what new product development strategies the global packaging industry is set to follow and how these initiatives are being implemented. Furthermore, this report grants access to the opinions and strategies of business decision makers and competitors and examines their actions surrounding the procurement of sustainable materials, the implementation of innovative packaging solutions, planned changes in procurement budgets and the launch of new products. Additionally, the report provides access to information categorized by region, company type and company turnover.

The report also examines:

- **Trends and opportunities in new packaging initiatives:** Analyzes the trends in the development of new packaging solutions across the global packaging industry and the development of the most sustainable packaging solutions.
- **Advantages of new packaging initiatives:** Understands the advantages of developing innovative packaging solutions alongside the selection of key materials for sustainable packaging.
- **Key barriers for innovative packaging:** Identifies leading barriers in the development and implementation of innovative packaging solutions and subsequent efforts to negate them.
- **Budget allocations:** Analyzes the expected changes in revenue contribution on the development of new packaging products.
- **Trends in procurement expenditure:** Forecasts the possible change in expenditure of packaging companies and identifies new packaging solutions that could attract investment.
- **New product development strategies:** Determines the product development stages, factors affecting new product development and likelihood of launch of new products across the global packaging industry.

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2 Executive Summary

Most important trends for innovative packaging

In 2012, suppliers will assign more importance to 'more customized packaging', 'tracking and trading requirements' and 'new labeling and coding technology', while buyers consider 'consumer convenience' and 'new packaging materials' to be more imperative. The 'cost of material' is considered the most important factor driving the development of innovative packaging solutions. A C-level executive from a packaged goods manufacturer category states: *"My company is focused on adopting sustainability practices in the development of new products to help reduce our overall production expenditure, including the cost of the materials procured."* Highlighting this trend, Unilever, a consumer goods company, devised a new policy for sourcing paper and board in 2010 and has made plans to procure 75% of paper and board either from certified sustainably managed forests or recycled materials by 2015.

According to packaged goods manufacturers, the most sustainable packaging materials are 'paper and board', 'degradable plastics (such as oxo-biodegradable plastics)' and 'glass', while converters consider 'paper and board', 'recyclable plastics' and 'glass' to be the most environmentally friendly. Many organizations are actively seeking investment in paper and board packaging materials either through an increase in capacity or through acquisition. Highlighting the trend, A&R Carton, a Swedish carton manufacture, increased its stake by 34% in SP Containers, a food and retail packaging supplier in April 2011.

'Reduced manufacturing costs', 'minimize material use' and 'environmental and regulatory compliance' remain the top three advantages

For manufacturers, the top three advantages of new packaging include 'reduced manufacturing costs', 'minimize material use' and 'environmental and regulatory compliance', while converters consider 'environmental and regulatory compliance', 'minimize material use' and 'increased shelf life' of products to be important. In terms of new packaging solutions, the main objective of manufactures is to reduce costs. This can be achieved through reducing the weight of bottles and boxes, decreasing the thickness of packaging materials such as extra plastic on pouch packets and lessening the size of containers. For example, in February 2011, Kraft Foods reduced the size of its Cadbury Dairy Milk chocolate bars from 140 to 120 grams in the US and the UK and also announced plans to reduce the size of packaging for some of its products in November 2011.

Suppliers assign relatively more importance to 'consumers' and the 'government' as key drivers influencing their organizations' sustainability efforts, than buyers who referenced 'self-regulation: individual companies', 'clients' and 'self-regulation: trade bodies' as their key drivers. Companies are becoming more consumer-centric and are actively investing in developing products according to market research. For example, in September 2011, Sainsbury's changed the packaging of its peanut butter range from glass to plastic jars, an initiative that helped the company to cut packaging material volumes by 83% or 882,000 kilos.

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‘Cost’, ‘regulation’, ‘technology’ and ‘patents’ remain key barriers

Key barriers faced in the implementation of innovative packaging solutions for packaged goods manufacturer respondents, include ‘cost’, ‘regulations’ and ‘technology’, in contrast, ‘cost’, ‘technology’ and ‘patents’ are considered key barriers by packaging converters. The top three barriers in terms of implementing innovative packaging for supplier respondents include ‘cost’, ‘regulation’ and ‘technology’, however, ‘cost’ is considered the single largest barrier in the implementation of innovative packaging solutions. For example, a senior executive from a packaging company operating in the Asia-Pacific region states: *“We are a small company with limited finances, adopting sustainability practices is not cost-effective for us.”* ‘Technology’ has also emerged as a key barrier in the development of new packaging solutions. For example, a senior executive from a packaging converter company operating in the Asia-Pacific region states*: “My company lacks the necessary equipment and technology needed to make the transition to "green" packaging.”*

Most popular packaging techniques for 2011–2012

Overall, 67% of respondents from packaged goods manufacturer organizations have either implemented or are planning to implement ‘tamper-evident packaging’ during 2011–2012 to ensure safety, followed by ‘high barrier plastic structures’ and ‘re-closure technologies’, while, ‘high barrier plastic structures’, ‘tamper-evident packaging’ and ‘modified atmospheric packaging (MAP)’ are considered most implemented by packaging converters. Packaging companies are developing innovative and tamper-proof packaging to gain consumer confidence, reduce costs and to comply with regulatory norms. In September 2011, Tesco stores introduced an innovative packaging system, ‘Reseal-it’ for its strawberry packs. The new packaging is a tamper-proof, re-sealable and easy-to-use pack that was developed by Macfarlane Labels and Sampak Ltd.

‘Corrugated boards’, ‘uncoated and coated kraft papers’ and ‘stretch wraps’ emerge as the most implemented customized packaging solution for 2012

Overall, 51% of respondents from manufacturer companies project a growth in demand for ‘corrugated boards’ in 2012, followed by ‘uncoated and coated kraft papers’ and ‘stretch wraps’ solutions. ‘Corrugated boards’ are completely biodegradable materials with a low carbon footprint. Many packaging companies have started to invest in this material either by expanding their product range or by acquiring companies specialized in making corrugated boards. For example, Interstate Container released their GREENCOAT® eco-friendly and wax-replacement corrugated boxes in December 2011. Many converters are focused on investing in ‘stretch-wrap’ facilities to increase their operational efficiency. For instance, in August 2011, Inpac introduced hand and machine pallet wrap stretch films in black, white and blue.

Average annual procurement budget of buyers is expected to increase

On average, respondents from packaged goods manufacturer companies expect to allocate 12% of their annual revenue on product development during the next 12 months, while respondents from converter companies are projected to allocate 9% of their revenue towards packaging research and development (R&D). In total, 31% of respondents from packaged goods manufacturer companies expect a revenue contribution of 6–10% for the development of new products. Many supplier companies are looking to develop innovative materials and solutions to reduce packaging costs, providing buyers with a cost-advantage. In

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May 2011, Eaton, a packaging supplier, introduced a customized packaging machine equipped with SmartWire-DT and HMI/PLC technology for developing lean automation solutions, intended to help organizations to speed up their production processes. Some companies also choose to focus on changing the look of their existing packaging enabling them to market products freshly. For example, Vaseline, a skincare company and a part of Unilever, re-launched its core lotions in new packages designed by Blue Marlin in December 2011.

Overall, 54% and 48% of respective respondents from manufacturer and converter companies project less than 10% of their procurement budgets to be allocated towards new packaging solutions. Incidentally, considering the weak economic conditions, such allocation may be deemed as substantial. Interestingly, 18% of respondents from packaged goods manufacturer companies and 27% from converter organizations project budget allocation to exceed 11% of their total procurement budgets. A senior executive from a packaged goods manufacturer company operating in North America states: *"My company plans to increase new packaging budgets substantially due to the fact that we will receive more projects as sustainable performance is generally directly related to financial performance."*

'Ease-of-use', 'low-price' and 'protective' features emerges as key factors for new product development

The analysis of responses from packaged goods manufacturer companies reveals that 66% of respondents assigned high importance to 'ease-of-use' and cited this as the most prominent driving factor for developing new products, followed by 'low-price' and 'protective' features. Consumers prefer user-friendly products that are easy-to-use and operate. Therefore packaging companies have started to provide increased importance to these factors while designing packages. For instance, VTT Technical Research Centre, a Finnish research institute, announced its plans to unveil a senior-friendly food packaging in December 2011, which will be easy to open with product information in bold type making it easier to read for senior citizens.

Focus category for new product development in 2011

The overall analysis of buyer responses reveals intentions to develop innovative and 'new products', followed by 'improving existing products', as identified by 28% and 23% of respective overall global packaging industry respondents. For example, Linpac Packaging introduced its new Rfresh MB range of sustainable trays for meat and fish products in December 2011. Similarly, in August 2011, Ampac introduced a retortable, zippered, stand-up pouch packaging, which is significant for its lightweight nature and portability. 'Improving existing products' is considered a key focus area for packaging converters, as indicated by 59% of respondents. For example, Stora Enso developed a specialty paper, InnoMould, which is expected to reduce the share of non-renewable materials needed for packaging developed through injection-molding processes.

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‘Concept development and testing’ emerges as the most common new product development phase for packaging industry

An analysis of the responses of packaged goods manufacturer companies reveals that 23% of respondents are in the ‘concept development and testing’ phase. Packaged goods manufacturers are faced with the challenge of lowering packaging costs and simultaneously providing value for money. As a result, their focus is on the development of innovative packaging solutions, aimed at process improvement and reduction of operational costs. For example, Michigan Molecular Institute (MMI) formed a joint venture (JV) with ECO Research Institute under the name of Eco Bio Plastics Midland in September 2011. This new venture will focus on the combination of shredded paper with standard commodity plastics to create a plastic composite for packaging items in the food service industry. A total of 88% and 75% of respective respondents from packaged goods manufacturer and packaging converter companies expressed that they are either ‘extremely likely’ or ‘somewhat likely’ to introduce new products in the market by 2012.

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