Findings of the

2015

Observatoire ALL4PACK

Confirmed optimism, new challenges on the horizon

1st December 2015

un événement comexposium

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In alignment with the transformation of the trade shows EMBALLAGE and MANUTENTION and their change of denomination to ALL4PACK Paris, the Observatoire de l'Emballage (Packaging Observatory) has become the Observatoire ALL4PACK.

Created in 2005 by EMBALLAGE, the Observatoire de l'Emballage each year aims to offer insight into this significant French economic sector, offering the entire industry (purchasers, manufacturers and distributors) a valuable chance to anticipate developments in packaging.

In 2015, the Observatoire de l'Emballage celebrates its tenth anniversary and has changed its name to the Observatoire ALL4PACK, also including in its questionnaire several new topics reflecting the four complementary sectors of Packaging, Processing, Printing and Handling, with new subject matter suggested by ASLOG[1] and CISMA[2], partners of the show.

The Observatoire de l'Emballage provides a snapshot of manufacturers' appraisals of the principal challenges faced by the domestic sector. Administered online in October 2015, this survey yielded 565 responses from:

- **packaging user and purchaser industries (63%)**
- **packaging manufacturers (18.5%)**
- **manufacturers and distributors of packaging, handling and logistics machinery and equipment (18.5%).**

© Survey conducted for the trade show ALL4PACK Paris – Comexposium Group by Goudlink/MRCC

Analysis by Annette Freidinger-Legay, Consultant for ALL4PACK Paris and International Packaging Expert.

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[1] French National Association for supply chain and logistics

[2] Association of Equipment Manufacturers for Construction, Infrastructure, Steel and Handling Equipment Industries

2015 SURVEY

Confirmed optimism, new challenges on the horizon

Key figures and main trends

1/Production outlook

Outlook for 2016-2018: Convergence of opinions on most promising markets

- **63% of purchasers and manufacturers** of packaging foresee an increase in their output in the three coming years (compared with **60%** and **58%** in 2014).
- **On the buyer side**, this impetus primarily stems from the opinions of **83%** of purchasers from retail and e-commerce.
- Conversely, a majority of purchasers from the capital goods sector have little to no visibility or expect their production levels to remain flat.
- The food and beverage sector is showing greater confidence in the future, with **68%** of respondents forecasting output rises in the 2015 survey as against **62%** in 2014.
- **Machinery and equipment manufacturers** are in step with the general trend, with 56% optimistic.

2/Greater confidence regarding materials prices and operating margins

- **Two thirds of buyers** expect to see packaging prices either remain stable or drop, further supporting this optimism.
- **This confidence is shared by packaging manufacturers, 65%** of whom expect their operating margin to be sustained whereas only **49%** held this view in the 2013 survey.
  This positive impact leads to perspectives of increased job creation and investment, with in 2015 respectively **25%** (versus **20%** in 2014) and **44%** (versus **32%**).
- More **machinery and equipment manufacturers** expect their profit levels to rise: **24%** in 2015 (compared with **20%** in 2014 and 2013),
  This should also stimulate employment: **35%** expect more jobs to be created (as against **28%** in 2014); and more investment: **28%** of 2015 respondents foresee an increase (**14%** in 2014).

3/A raw material risk with little impact

The acute packaging cost increase spell which started in 2011 has led to some customer-supplier relations being deeply transformed.

- **26% of purchasers** say that they have introduced measures to mitigate the risk of plastic raw material shortfall (increasing the number of supply sources, ordering more long-term, taking out hedging contracts or using alternatives to these materials).
  However, **46%** say that are not affected by the threat.
- **49% of manufacturers** do not feel affected.
  29% have taken mitigation action, including initiatives such as: material substitution, including bio-sourced materials, increasing supply sources, preventive stockpiling, and greater incorporation of recycled matter which becomes an adjustment variable in value and tonnage.

4/ "Made in France"- a new growth lever?

Respondents across the entire industry agree that a "Made in France" label is a growth lever:

- **For packaged products,** for **84% of buyers** and **81% of suppliers**
- **And for packaging,** for **78%** of buyers and **81%** of suppliers (whereas very few manufactures actually communicate towards consumers).
- This label appears to be less of an advantage for **French machinery and equipment manufacturers.**

As a result:

- **42% of buyers** say that they source in France.
- Only **29% of packaging manufacturers** rely on export to obtain growth, and target the UK and Belgium above the rest.
- **35% of machinery and equipment manufacturers** aim to export, **primarily towards North Africa**, which confirms the zone's position as the leading target region for export development.
- The main competitors for manufacturers and equipment suppliers continue to be found in Germany and Italy, with the USA and Canada emerging in the machinery segment just behind China.
- New growth in exports to neighbouring countries can also be observed.

5/Packaging: a hive of permanent innovation

Packaging is changing constantly and increasingly rapidly:

- **63% of all buyers** are today working on projects for 2015-2016,
- **89%** are working on projects in luxury goods,
- **76%** in the household equipment sector,
- **88%** of all buyers will innovate between now and 2018,
- **50%** believe that the period between two big developments is getting shorter.

The average life span of an item of packaging lasts:

- Generally speaking, about 2 years
- Between 2 and 4 years for retail and e-commerce.
- More than 4 years for capital goods.

The vast majority of buyers, packaging manufacturers and machinery suppliers have an in-house innovation organisation mainly calling on their own departments:

- **51% of buyers** work in association with their manufacturers,
- **46% of manufacturers** say that they collaborate with their clients, in particular in the area of service.

- **Machinery and equipment manufacturers** use innovation in maintenance, whether preventive (**83%**) or remedial (**69%**) and in technology intelligence deployed for the benefit of their clients (**73%**).

Innovation drivers: cost effectiveness first!

- **65%** of buyers believe that market conditions oblige them to reduce packaging costs.
- **43%** of them say that regulations and standards are the second most influential factor.
- The digital transformation of points of sale and of the supply chain gain 5 and 6 points respectively.
- Retail and e-commerce are more inclined to underline sustainable development as a development factor for packaging.
- Preventing counterfeit goods is highlighted in the health sector.

The 4 major innovation levers for the profession for the next 2 years: convenience still the leading factor; design makes a comeback

- **Convenience and ease of use** of packaging continues to lead the field of criteria in 2015 **51%** (compared with **55%** in 2014), in particular in the household goods and health sectors.
- **Design** is starting to become important again at **49%**, notably in the food and drink sector and beauty. This could stem from the “image cult”, the need to “put the magic back into buying” or the assertion of the brand personality as essential to help it stand out from the competition.
- **Recyclability and use of recycled materials** remains at third place with **40%**. This is a key lever for e-commerce and mass retail.
- **The contribution of materials** to innovation is also up, at **37%.**

One trend worth noting is the progression of connected packaging:

- **15%** of buyers have allocated specific resources to their development in 2015.
- **26%** are considering the idea.

Innovation facilitated by regulations

Faced with regulatory deadlines relating to packaging in the health sector:

- **82%** of purchasers
- and **76 %** of suppliers…

… intend to take action to prevent spillage of pharmaceutical products.
The know-how of machinery and packaging manufacturers should benefit the process of packers, which should improve the security of pharmaceutical packing.

Buyers have an obligation to provide consumers with information in accordance with industry legal requirements. Here, expertise in printing will allow general and widespread compliance with the INCO regulation and waste sorting instructions.

The protection of goods transported and the safety of pharmaceutical transport processes also appear on the road maps of buyers and suppliers, but improving working conditions is higher up their agenda. This is further proof of the need for safe, realistic and user-friendly handling solutions.

6/Focus on supply chain management

- **Nearly one in two manufacturers** say they frequently offer packaging inventory management services to their clients.
- **33%** of proposals relate to remote intermediate warehousing.
- Only **14%** mentioned co-locating packaging and manufacturing facilities.

Outer packaging used for dispatching finished goods has appeared on the radar of brand logistics and become a focal point for e-commerce specialists and online stores.

- **44%** of all purchasers wish to have outer packaging with their brand on it – this rises to 49% for buyers in food and beverages.
- **33%** of purchasers in the beauty sector prefer their outer packaging to be unmarked.

Comprehensive and detailed analysis on request from our press office RPCA.

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Observatoire de l’Emballage **2005-2015**

10 years of macro-economic pointers

by Annette Freidinger-Legay,
International Packaging Expert and Consultant for ALL4PACK Paris.

1st December 2015

10 annual surveys for the Observatoire de l'Emballage:
Comparing the perspectives of packaging actors

In 2005, the trade show Emballage established the *Observatoire de l'Emballage* (Packaging Observatory) with a dual objective:

- **Provide forward-looking and high added-value insight into the packaging sector**
- **Build ties with the sector's manufacturers.**

10 annual surveys later, these goals have been exceeded, because the Observatoire de l'Emballage is today:

- **The only crossover analysis of the opinions of packaging users and purchasers, manufacturers of packaging/components and manufacturers of packing machinery and equipment.**
- **The result of an approach reviewed and adjusted every year so as to anticipate the changes in the packaging sector.**

The four charts appended to this document provide clear proof of the major trends which have marked this decade of the Observatoire de l'Emballage, and offer an outlook on the period from 2016 to 2018.

⇒ 2005-2015: 10 years, 10 key words
Observatoire de l'Emballage celebrates its 10th anniversary
A snapshot of the industry in 10 key words

⇒ How brands respond to end user expectations
A 2010-2015 review of development factors and innovation drivers in packaging

⇒ Outlook for 2016-2018: the packaging industry displays its optimism

⇒ 88% of purchasers set to innovate between now and 2016-2018!
Which innovation levers will purchasers rely on most to satisfy the end consumer?