PMMI Annual Meeting
Business Session II
Vision 2015: Packaging Trends that will Impact Your Company

Presented By

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1 Vision 2015

1.1 Vision 2015 Objectives: Gain customer input on …

➢ Trends and issues impacting the packaging industry over the next 2 to 5 years

➢ Objectives, strategies, and tactics machinery manufacturers should use to fulfill customer needs

1.2 A customer focus is important because customers …

➢ Understand consumer-end user needs

➢ Are important supply chain participants and innovators

➢ Have needs-requirements that drive relationships with manufacturers

> "Look at your company through the eyes of your customer."
>
> — *Phil Kotler*

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2 Methodology

2.1 Seven Focus Group sessions held at PELV with member invited customers …

- ➢ Food, beverage, pharmaceutical, and other customers
- ➢ Small, mid-sized, and large customers
- ➢ Experienced and high-level packaging professionals

2.2 Qualitative insights can be integrated with purchasing process survey results

2.3 Written report is available to members and customer participants

> "Even if you are on the right track, you will get run over if you just sit there."
> — *Will Rogers*

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3.1   Continuing product-brand-package proliferation

> ### Notable Quote
> *"My world is large volumes in short runs because it seems like we have to make every product everyday."*

- ➢ Driven by customer marketing strategies: Ongoing innovation, market share, margin, and competitive advantage

- ➢ Flexible-adaptable and quick changeover attributes are critical

- ➢ Range of machinery applications and innovative materials

- ➢ Compressed sales-delivery cycle

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10 Packaging Industry Trends

3.2   **An increasing strategy and operational emphasis on sustainability in packaging, materials, and operations**

> *Notable Quote*
> *"Sustainability requires us to look at everything and manufacturers should do the same thing when they design and build machinery so that we can achieve our sustainability goals in operations, energy, materials, workforce utilization, etc."*

➤ Potential "game changer" in scope and focus

➤ Innovative technologies vis-à-vis "tweaking" current generation machinery

➤ New, light-weight packaging materials and package designs

➤ Competitive advantage requirement for customers and vendors

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3.3   Machinery customers are challenged to attract and retain a viable workforce to operate sophisticated machinery

Notable Quote
"We need sophisticated technologies and automation to make machinery operation and maintenance as simple as possible."

➢ Continuing erosion of workforce quality

➢ Over-engineering and complexity must be reduced but automation is critical

➢ Operator-mechanic training programs must be effective

➢ Innovative diagnostic service and maintenance are real value adds

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3.4   **Customers operate in a capital constrained environment**

> *Notable Quote*
> *"We need flexible machines because we don't know what we will be making in 2 years or, for that matter, tomorrow."*

➢ Understand needs and requirements through customer relationships

➢ Retrofits and rebuilds can "stretch" available resources

➢ Sales price and total cost-of-ownership alternatives can be used

➢ Speed, reliability, and flexibility metrics in "real world" environment

10 Packaging Industry Trends (cont'd)

3.5 **Machinery customers continue to be frustrated by the low level of effectiveness in post-sales or technical support strategies of manufacturers**

> *Notable Quote*
> *"I can't stand it when an underqualified, overpaid OEM tech support guy shows up and says: 'Let's try this and see what happens'."*

- ➤ Design and build to quality mandated specifications at a ROI price point

- ➤ Spare parts costs, quality, and inventory are pivotal value-add issues

- ➤ Clear and sufficient documentation is a critical value-add

- ➤ Post-sales value-adds are a competitive differential for U.S. manufacturers in the world market

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10 Packaging Industry Trends (cont'd)

3.6 **Customers continue to place emphasis and value on "packaging solutions" and expect line integration approaches**

> *Notable Quote*
> *"OEM's are more interested in selling new machines than fulfilling our needs by upgrading and retrofitting existing machines or initiating line integration approaches."*

- ➢ "Solutions" are the core value proposition while "machinery" is the means to this end

- ➢ A "solutions focus" requires extensive knowledge about customers, their strategies, and their requirements

- ➢ Proactive and well defined line integration approach3es resonate well

- ➢ Knowledge of machinery interfaces with other line components is a basic requirement

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10 Packaging Industry Trends (cont'd)

3.7   A global emphasis on worldwide product production and sourcing of packaging machinery continues to occur

> *Notable Quote*
> *"European manufacturers used to be arrogant. Now, the Americans are arrogant."*

➢ Become very customer focused in approach and practice because relationships and knowledge are critical to marketing success

➢ Capitalize on currency value differentials, fulfill needs for flexible machinery, and provide post-sales technical and other support services

➢ Adopt lean manufacturing and other processes to achieve low (or lowest cost) producer status without sacrificing quality

➢ Continue to identify and pursue opportunities in China and other emerging economies

10 Packaging Industry Trends (cont'd)

3.8   Customers welcome and seek the development of sound relationships with manufacturers

> *Notable Quote*
> *"OEM's need to deliver what they promise when they promised it so we can meet our goals and schedules."*

➢ Recognize that all forms of "risk" (financial, performance, market, compliance, etc.) are interrelated and best addressed on a joint basis

➢ Educate customers about negative impacts of traditional procurement processes on risk management

➢ Ensure that customers understand their responsibilities in the achievement of productivity or efficiency objectives

➢ Be completely honest with all customers all of the time

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3.9 Risk management efforts are a core or essential requirement

> ### Notable Quote
> *"Machine safety is not discretionary or optional … it is an essential requirement that we demand and expect."*

➢ Understand key role of safety in Enterprise Risk Management strategies of customers

➢ Build and communicate "safety" attributes into all facets of machinery design, operation, maintenance, etc.

➢ Be aware of, knowledgeable about, and committed to all voluntary and mandated safety standards

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3.10 Requirements for product-package traceability across all components of the supply chain will increase, particularly in regulated industries like pharmaceuticals and foods

> *Notable Quote*
> *"Traceability will cost money and require that data be collected from all supply chain components: raw material procurement, processing and packaging, and distribution to the consumer."*

➢ Understand and prepare for escalating governmental requirements impacting virtually product categories

➢ Comprehensive product-package traceability and data collection-retrieval will be two level challenges

➢ Compliance cost management will be critical and require cooperative efforts spanning upstream and downstream supply chain partners

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Summary of Key Customer Drivers

4.1   Customers value innovation in machinery, related technologies, and materials as they pursue creative marketing strategies, and seek increased production and lower costs.

4.2   "Sustainability" is viewed to be a rapidly accelerating mandate and strategy tool in customer companies.

4.3   Workforce quality issues provide major challenges for customer and influence their packaging machinery specifications and purchase processes.

4.4   Customers operate in a capital constrained environment which impacts the frequency and types of new and retrofit machinery they purchase.

4.5   Customers believe manufacturers must provide exemplary post-sales technical support and other value adding services.

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Summary of Key Customer Drivers (cont'd)

4.6 A "single source solution" focus is a winning strategy for many customers which puts a continuing emphasis of line integration skill sets of manufacturers.

4.7 Packaging is a highly globalized industry and a world view is incorporated into customer marketing and machinery procurement strategies.

4.8 Customers want to work closely with their packaging machinery and technology providers to reduce all forms of risk.

4.9 Manufacturers must share customer beliefs that safety and other risks must be managed in all aspects of design and production processes.

4.10 While product integrity has been a packaging function, customers anticipate that enhanced levels of product traceability will be required by regulators.

"Bigger isn't better … better is better."

— Peter Drucker

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5.1 **Develop and implement offensive and defensive strategies on a domestic and global market basis, to serve current and potential customers better than European and Chinese competitors.**

➢ Capitalize on competitive strengths to serve domestic customers: Adopt a "total solutions" focus in machinery design with an emphasis on workforce requirements, sustainability, and value-adding post-sales support services.

➢ Capitalize on weaknesses of European and Chinese manufacturers to serve domestic market customers: Use "currency differentials" to drive pricing and total cost of ownership strategies; emphasize language and time barriers in communications, and provide value-adding support services.

➢ Structure, through alliances-joint ventures or organic resources, strategies to compete in targeted machinery exports markets.

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Manufacturer Strategy Development and Implementation (cont'd)

5.2 **Become "intimate" with customers to understand their strategies and requirements for packaging solutions.**

- ➢ Emphasize attributes like flexibility, safety, sustainability in machine design and development.

- ➢ Create innovation through organic processes or partnering with customers and competitors.

- ➢ Focus on pricing strategies that emphasize short- and long-term customer returns on invested capital and total cost of ownership.

5.3 **Adopt a "total product" approach by "adding value" to all aspects of the customer interface.**

- ➢ Help customers to understand their requirements and responsibilities in supporting the design and operation of machinery at desired levels of performance.

- ➢ Create and use modular designs and post-sales service and support strategies to build sales and customer loyalty.

- ➢ Recognize that customers are highly focused on workforce quality issues and address this need.

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Manufacturer Strategy Development and Implementation (cont'd)

5.4 **Build a strong sustainability platform into machines to support achievement of customer objectives.**

➢ Create machines that accommodate new, light-weight materials and produce unique packages.

➢ Ensure that machinery use of water, air, energy, etc. is constrained.

➢ Use modular designs to facilitate machine flexibility and changeover.

5.5 **Be brutally realistic when calculating and communicating packaging machinery performance data to customers.**

➢ Willingly tweak and modify machines in customer plant locations.

➢ Assess and communicate impacts of operator quality, multiple shifts, facilities on machine performance.

➢ Share "best practice" solutions generated to address performance issues experienced by other customers.

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5.6 **Clearly meet or exceed mandated or voluntary standards and compliance requirements that affect machinery used by customers.**

➢ Environmental policies, sustainability requirements, workplace regulations, etc. should be viewed as opportunities to add or assure customer value.

➢ Machine safety and risk assessment, management, and mitigation are other areas where manufacturers can strengthen relationships with customers.

➢ Work with customers and trade associations to help influence and advocate development of suitable standards and regulations.

> "Good is the enemy of great."
>
> —*Jim Collins*

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