

WHITE PAPER

Tracking International Packaging Trends: Europe & Asia

While the weak U.S. dollar isn't welcome news to consumers these days, the situation does provide a great position from which American packaging companies can boost their export business.

But to truly engage foreign markets with authority requires company leaders to understand the current packaging trends fueling two of today's more dynamic regions: Europe and Asia.

While it's a tall order to homogenize the individual nations in each of these continents, some important information can be gleaned from an examination into what is filling their store shelves.

Material reduction

The single most significant European packaging trend is packaging-material reduction, according to Erik Verbeeck, CEO of Belgian concern Verbeeck Packaging Group. As might be expected, this trend has been accompanied by an emphasis on "green" packaging and increased use of post-consumer resin.

Many major and private label brands are evaluating and some even implementing materials such as PLA, a corn-based natural plastic, into their product's packaging. IPER, a supermarket chain in Italy recently launched PLA packaging for its fresh food and pasta products. In the future, IPER may use PLA for all their private label packaging needs according to an interview with Mario Spezia, IPER sales director, at E-wire.com.

Europeans might like the idea of purchasing environmentally friendly packages, but they also face costly waste-disposal services, so this trend has economic as well as environmental motivations.

Regarding specific materials, polyvinyl chloride (PVC) is completely out. In addition, glass—especially food glass—is difficult to obtain. Heat-resistant plastics for food packaging are likely to achieve popularity in the near future.

The European containers and packaging market generated total revenues of \$129.3 billion in 2006, representing a compound annual growth rate (CAGR) of 2.2% during the five-year period spanning 2002-2006, according to the report, *Containers & Packaging in the Asia Pacific*, by business-intelligence company Datamonitor. Compare that with the Asia-Pacific market, which yielded \$126.6 billion in 2006 and displayed a greater CAGR of 4.5% for the same five-year period.

The report defines the Asia-Pacific region as Australia, China, India, Japan, Singapore, South Korea and Taiwan. The nations included in the European segment are Belgium, Denmark, France, Germany, Italy, Netherlands, Norway, Spain, Sweden, United Kingdom, Czech Republic, Hungary, Poland and Russia.

Much of the Asian acceleration is attributed to strong growth in what is termed the “lucrative” Chinese market, the report states. Signs point to increased consumption in the years ahead with a 5.1% CAGR predicted for the five-year period of 2006-2011 to push the market value up to \$162.3 billion by the end of 2011.

Paper proved to be the Asian market’s largest packaging segment during 2006, achieving a volume of 42.8 million metric tons or 52% of the market’s volume. Metal came in second—comprising 24.9% volume—by reaching 20.5 million metric tons. Plastic occupied 13.2% while glass picked up 8.5%.

Think ‘consumer’

Within Europe, demographic factors are expected to assume a strong role in determining the package types to hit the market. With consumers living longer, packaging will have to be adapted to be better suited for seniors, Verbeeck says. Specifically, packaging will need to be consumer-friendly by offering trouble-free open-and-close characteristics, ease of use, and decreased volume. This concept of simplicity and ease-of-use translates across all of Europe and among different age groups. “Think ‘consumer’ and act on it,” Verbeeck urges company leaders and marketers. “Use older people on test panels.” Europeans also are seeking ways to develop effective counterfeit-thwarting technology, particularly with medication packaging.

U.S. packaging companies—which Verbeeck sees as less innovative in terms of design and use characteristics—often underestimate the European market and its consumers. However, he believes the differences between North American and European packaging are slowly melting away.

The same might prove true of the relationship between Europe and Asia, specifically within the cosmetics industry since most European cosmetics manufacturers either produce or purchase packaging in China and other Asian nations.

Power of price

While Europeans might be termed “user-sensitive,” Asian consumers are more price-sensitive. Yet despite that characteristic, Asians are beginning to possess more disposable income and are willing to spend more on packaging, the quality of which is not fulfilling consumers’ needs. Perhaps this is a bit of an oversimplification. Chinese consumers are indeed price-sensitive and not particularly focused on product quality. As a result, they usually purchase the cheapest product offered and don’t display much brand loyalty. In addition, intellectual-property protections are weakly enforced, often blurring brand distinctions. A brand that offers convenient packaging at the same price will still triumph in market share over other brands that do not offer packaging that is easy to use.

In a recent focus group, Weatherchem interviewed Chinese female consumers who described themselves as people who use spices on a daily basis. These consumers typically buy their spices and seasonings in pouches and cut the edge of the bag to dispense the spice. All complain that the pouch is not easy to use and that it can be messy and wasteful. There is definitely room for improvement and innovation in Chinese product packaging, but keep in mind that packaging solutions must be affordable if they are expected to be widely used in this region.

Japanese consumers, on the other hand, focus on quality over price. In addition to being quite hygiene-focused, they pay high attention to quality and convenient packaging and are likely to communicate their displeasure with poor-quality packaging. The closures offered on Japanese packaging can be very innovative with features such as a button to open a flip-top closure or a child-resistant closure that actually is easy for adults to open and dispense. However, many of the closures offered on the popular oils and sauces in Japan make it difficult to control the amount poured causing the bottle to get messy and product to be wasted. This type of packaging is far less likely to be tolerated by the Japanese consumer.

The Japanese culture of high quality and hygiene has also lead Japanese consumer brands to “over-package” their products. For instance, a box of cookies might be sold with each cookie individually wrapped to maintain freshness and cleanliness. This trend will be hard to maintain with all the global pressure to reduce the amount of packaging for consumer packaged goods.

Chinese and Japanese consumers share the common characteristic of purchasing products in small amounts compared to U.S. consumers, but for different reasons. Take food packaging, for example. Japanese weather is considerably humid, which prompts people to not stock a great quantity of food ingredients at home since it can rapidly lose freshness. Chinese buy spices and seasonings in small amounts simply because it is convenient to constantly replenish their supplies since small grocery stores tend to be within walking distance.

As an example of how the overall Asian packaging paradigm often works, take the example of telephone communications. China, for the most part, skipped past phone lines and went directly to cell phones. Many of the developing countries mimic this example by bypassing preliminary steps and going directly to cutting-edge technologies.

U.S. companies develop concepts, conduct testing, carry out market research, etc. and the Asian companies often jump on the bandwagon after the legwork has been completed. Perhaps one of the best ways to make predictions about overseas developments is to study state-of-the-art developments within the United States today.



WEATHERCHEM CORPORATION
2222 HIGHLAND ROAD
TWINSBURG, OH 44087
330-425-4206
FAX 330-425-4586
www.weatherchem.com