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Excerpt

The Packaging Market for Paper Composites in Germany

Trends and Potentials until 2016
Industries, Market Participants, Strategic Options

Mainz, June 2013

A GVM report in cooperation with sciendea⁺

Initial Situation

- European FMCG markets are stagnating influencing a decelerated growth in the packaging markets.
- Supply bottlenecks and decreasing margins force packaging manufacturers to resort to creative solutions.
- Dynamic forces occur where conventional packaging is displaced by innovative means.
- A more significant growth of paper composites in the higher priced segment of fast-turnover products is expected while growth in the segment of flexible plastics will be slower.
- Paper as a renewable raw material enjoys a positive eco image with both trade and consumers.

The Report‘s Objectives

- Provision of well-founded market data
- Identification of trends in the packaging sector, particularly those of the paper composite segment
- Comprehensive market and competitor analysis of paper composites in Germany
- Description, quantification of and forecast for paper composites sorted by application areas
- Identification of growth sectors
- Examination and comparison of the most successful market participants in paper composite production for packaging
- Strategic recommendations for an ideal positioning in competitive landscape

- The report strategically assesses the sustainability of individual markets and recommends resulting courses of action for market participants.
- It is aimed at companies requiring comprehensive and reliable data, forecasts and strategic options in the context of their market research.

The report offers answers to the following questions:

> How is the market for paper and cardboard composites developing?
> What are TOP industry issues?
> Which markets show declining tendencies?
> Which are the markets with growth potential?
> Which factors can be identified to drive material development?
> Which application markets show a potential for increasing the share of paper and cardboard composites?
> What is the market potential of renewable raw materials?
> How do the competitive landscape along the value chain look like?
> Who are the key players along the value chain for paper composites?
> Which factors of success and business models distinguish market and innovation leaders?

The Report’s Objectives

Markt Analysis

- Target: Description of the market, definition of trends and sector topics, market size and forecast, identification of the TOP 5 packaged goods sectors.
- Implementation: Based on a continuous market research relating to individual packaged goods and the results of structured expert interviews, the status quo 2011 is defined leading to a forecast for 2016.

Competitor Analysis

- Target: Analysis of the market significance of the different value chain stages within the manufacturing process, identification and evaluation of market and innovation leaders
- Implementation: Evaluation of the companies key figures with focus on turnover and profit results (EBIT margin) for each product segment. Benchmark of key figures and forecast of the future company performance are analysed.

Busisness Model Analysis

- Target: Analysis and evaluation of the success factors and the business models of market and innovation leaders.
- Implementation: Evaluation and benchmark of the different business models by means of nine parameters – customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships and cost structures.

> The report analyses the market for paper composite packaging in Germany.

> The analysis offers an overview of existing and future structures of market outlets and market participants along the value chain.

What is being examined?

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- The data reflects the use of paper composites for packaging in Germany.
- The majority of materials are aggregated in three material and ten composite groups.
- For comparative purposes the category *Other Materials* includes paper and paperboard as well as plastic films and tinfoils. This group, however, is examined only in terms of its potential to replace paper and paperboard composites.
- Furthermore, Paper and Paperboard Composites are sub-divided in eight different packaging types.

Categories of planar packaging material groups

Packaging Group	Composite Types
Paper Composites	Paper/aluminium foil
	Paper/ plastic film
	Paper/ wax coating
	Paper/ polymer coating
Paperboard Composites	Paperboard/ aluminium foil
	Paperboard/ plastic film
	Paperboard/ polymer coating
Other Materials	Paper/paperboard/mono
	Plastic films/mono & composites
	Aluminium foils/mono & composites

Relevant packging segments

Paper < 170 g/m²	Bags, Pouches
	Sacks
	Closures
	Wrappers, Other pre-cut sheets
Paperboard > 170g/m²	Boxes, Cartons
	Cups
	Trays, Other containers
	Wrappers, Other pre-cut sheets

Forecat 2016 for sales packaging made of paper composites, assortment share in %

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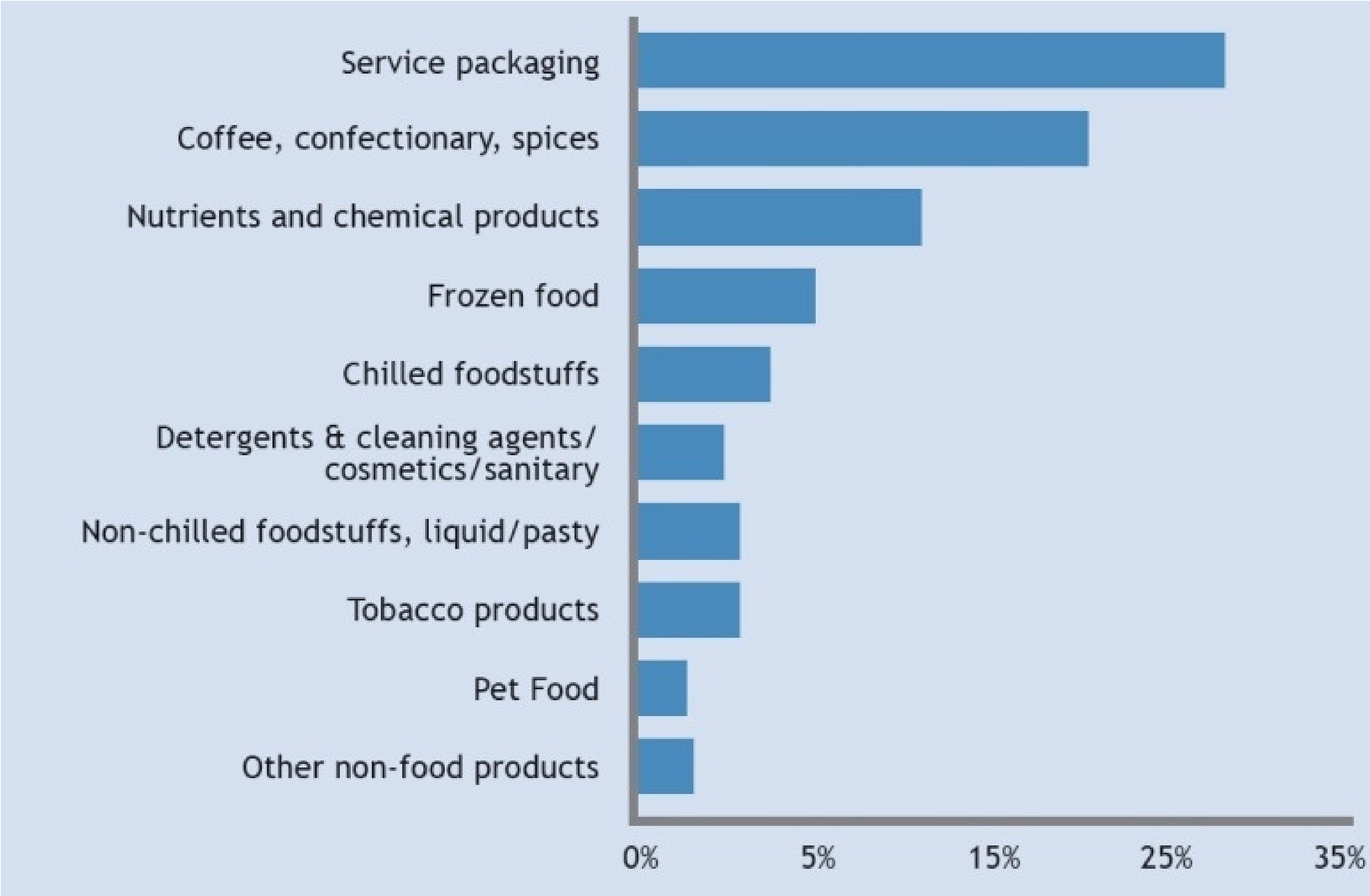

Data sources

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GVM Databases

- **DB Market Volume Packaging** concerning usage and consumption of packaging in Germany
- **DB Packaging Samples** with approx. 20,000 data sets

Search Engines/ Databases

- Research in search engines and databases with systematic search term combinati-ons: e.g. Google, GBI Genios, Hoppenstedt, Who-delievers-what report, Federal Gazette

Specialist Literature

- Evaluation of trade magazines
- e.g. APR, Euwid, KI, LZ, Neue Verpackung, Pack-report, Verpack-ungswirtschaft
- Scientific publications: AVV, BfR, IVV, Innoform, PTS

Public Statistics

- Federal Statistical Office
- e.g. production statistics, foreign trade statistics, demography

Unions and Associations

- Evaluation of association communications and statistics
- e.g. BVE, DVI, IPV, VDMA, VDP

Store Checks / Samples

- Inspection of various marketing types
- Food: discounters, supermarkets, department stores, cash & carry
- Non-food: drug stores, depart-ment stores, specialist stores

Trade Fairs

- Evaluation of the most important trade fairs for planar paper composites
- Personal trade fair visits
- e.g. ICE 2011, Drupa 2012, FachPack 2012

Suppliers

- Analysis of company publications, mandatory filings, i.e. annual re-ports, financial statements, con-solidated state-ments of income
- Analysis of re-levant products and innovations

Packaging Manufacturers

- Analysis of company publications, mandatory filings, i.e. annual re-ports, financial statements, con-solidated state-ments of income
- Analysis of re-levant products and innovations

Bottlers & Fillers

- Analysis of company publications, mandatory filings: i.e. annual reports, financial statements, con-solidated state-ments of income
- Analysis of relevant products and innovations

Expert interviews: BASF, Billerud, GIKO, Gruber, FH Hannover, Felix Schöller, Fraunhofer IVV, Huhtamaki, Innoform, Leipa, PTS, Spaeter

- 12 expert surveys in writing and/or by telephone based on field manual with sector participants from the industries as well as research and consultancies

Aim: collection of up-to-date figures, data, facts, topics and trends of the sector

The value chain of planar paper composites

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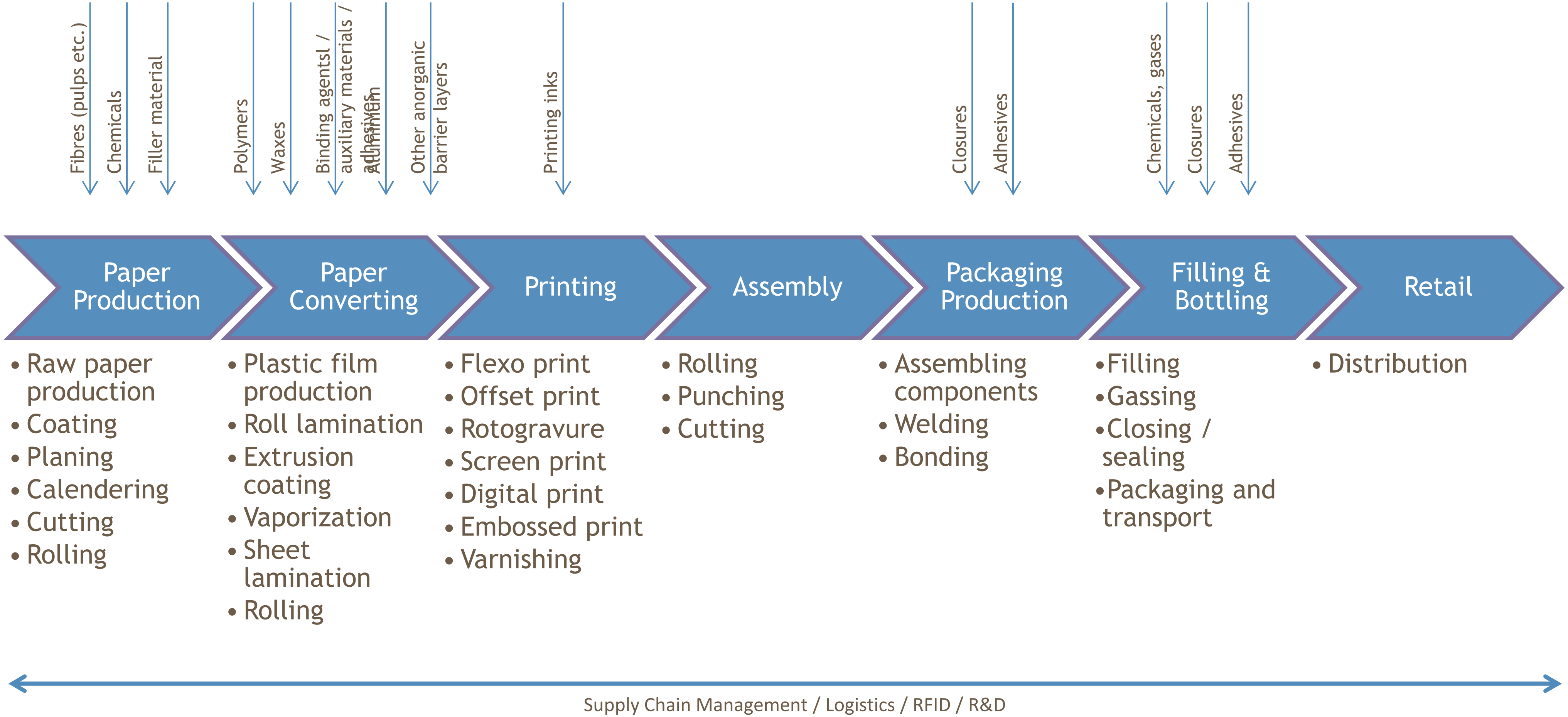

> Paper converting is the most important value-adding step within the manufacturing process of paper composites.

Market Portfolio of the TOP 5 Packaged Goods Sectors

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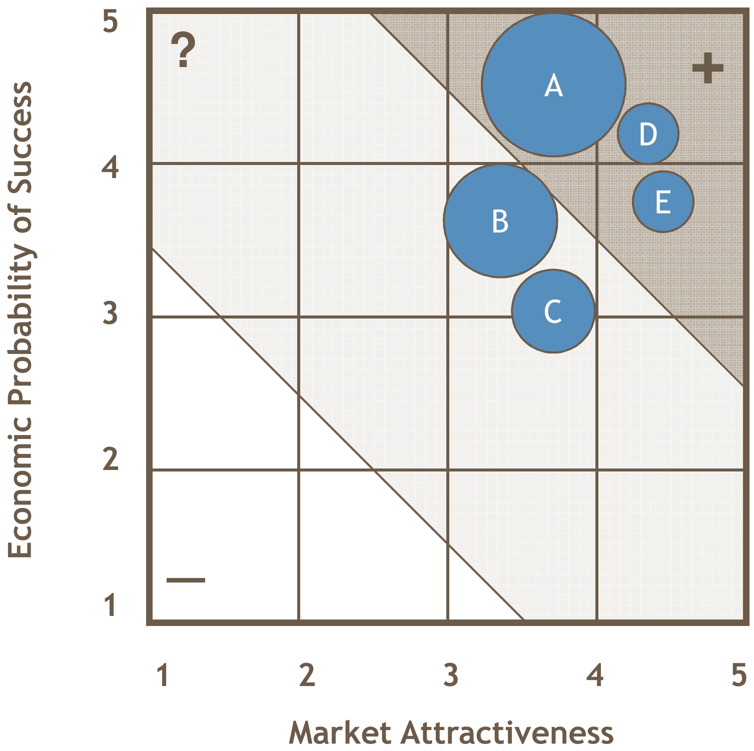
Market Portfolio



Description / Key

The market portfolio illustrates the market positioning of each packaged goods sector in two dimensions. In general, external parameters, i.e. parameters, which cannot be influenced by companies themselves, are opposed to internal parameters susceptible to influence.

On the one hand the resulting sector positions and constellations serve as a benchmark for the companies' future alignment within industry competition, on the other, they describe the specific competitive strengths of a given company as regards the respective sector.

+	**High Market Priority = Invest**
?	**Medium Market Priority = Review**
-	**Low Market Priority = Divest**

A	TOP 1 Sector
B	TOP 2 Sector
C	TOP 3 Sector
D	TOP 4 Sector
E	TOP 5 Sector

The circle‘s diameter corresponds to the packaging consumption of the sector under consideration of 2016.

Source: Internal calculations

360-degree analysis of the competitive landscape

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Supplier	Packaging Manufacturer	Bottler/ Filler
Ahlstrom	Amcor	Bell AG
BASF	Behr Bircher Cellpack	Burger King
Bayer	Bischof + Klein	CFG Deutschland GmbH
Billerud	Cham Paper Group	Deutsche Tiernahrung
Birgl&Bergmeister	Constantia Flexibles	Deutsches Milchkontor
Cham Paper	Delfort	Fressnapf
Dow Chemical	Felix Schoeller	Friesland Campina
Dupont	Fislage Flexibles	Frosta
Epple Druckfarben	HLB	Gebr. Nölke
Flint Group	Huhtamaki	Iglo
Huber Group	Leeb	LSG
Innovia	Leipa Georg Leinfelder	Mars
Ruco Druckfarben	Maria Soell	McDonalds
SABIC	Mondi	Molkerei Müller
Sappi	Sappi	Nestlé
SCA	SFV	Nordsee
Siegwerk	Stora Enso	Oetker
Stora Enso	Walki	Rügenwalder Mühle
UPM	Willy Michel	Unilever
Zellstoff Stendal	Wipak	YUM! Restaurants

Ranking of TOP 20 producers of packaging materials

Rank	Company	Global group turnover in million Euro 2011	Turnover in Germany in million Euro 2011	Turnover significance - composite paper packaging*	Market share composite paper packaging in DE**
1	[redacted]		810	++	15% - 20%
2	[redacted]		537	++	15% - 20%
3	[redacted]		1,574	+	10% - 15%
4	[redacted]		953	+	5% - 10%
5	[redacted]		69	+++	5% - 10%
6	[redacted]		65	+++	3% - 5%
7	[redacted]		220	++	3% - 5%
8	[redacted]		297	+	3% - 5%
9	[redacted]		22	+++	1% - 3%
10	[redacted]		130	+	1% - 3%
11	[redacted]		11	+++	1% - 3%
12	[redacted]		1,100	+	1% - 3%
13	[redacted]		24	++	<1%
14	[redacted]		16	++	<1%
15	[redacted]		18	++	<1%
16	[redacted]		154	+	<1%
17	[redacted]		100	+	<1%
18	[redacted]		200	+	<1%
19	[redacted]		8	++	<1%
20	[redacted]		6	++	<1%

Key: * Sales significance composite paper packaging: turnover share of paper composites of the total turnover in Germany
+ low ++ medium +++ high
**estimated values derived from respective key figures and company publications

> X, Y and Z are the TOP 3 producers of paper composites in Germany. They represent more than 45% of the overall market.

Walki Group Oy | Profile and SWOT Analysis

Company Data: Group

walki

Foundation:	1967
Corporate Form:	Oy
Headquarter:	Espoo (FI)
Parent Company:	CapMan PLC (FI)
Management:	
Leif Frilund	Board (CEO)
Timo Finnström	Dir. Paper
Frank Grossmann	Dir. Paperboard

Owner Structure | Company Stakes

CapMan Plc.
100%

Walki Group Oy

Walki Deutschland GmbH
100%

Key Figures 2011

Turnover

Turnover in D

EBIT

EBIT Margin

Employees 931

Composite Paper Packaging in D

Share of Sales

Market Share %

Products | Certificates

Product Portfolio

- Specialty paper
- Specialty board
- Technical papers
- RFID antennas
- Insulation materials

Certifications

DIN ISO 9001
DIN ISO 14001
BRC/IoP

Core Competencies | Strengths vs. Weaknesses

Core Competencies/Strengths

Weaknesses

Future Viability in D

Innovative Strength	
++	➚
Competitive Strength	
++	➔
Composite Paper Packaging	
+++	➔
Profitability	
+	➚

Key: Future Viability in D: +++ high ++ medium + low, future development ➚ increasing ➔ constant ➘ declining

Sources: corporate information, Bundesanzeiger, Hoppenstedt, press reports

Walki Group Oy| Target Markets

Target Market Structure for Composite Paper Packaging

Packaged Goods Sector	Activity
Coffee, cocoa, tea	++
Snack products	++
Confectionary	
Spices, meal kits, aliments, dry products	
Gourmet food, oil, vinegar, liquid sauces, spreads	
Other foods (excl. beverages), unchilled	
Dairy products, chilled (TOP 5 Sector)	
Meat, coldmeats, fish, chilled (TOP 5 Sector)	
Other preparations and ready meals, chilled	
Frozen food, ice cream (TOP 5 Sector)	
Service packaging catering (TOP 5 Sector)	
Other service packaging	
Pet food, pet supplies (TOP 5 Sector)	
Sanitary articles and paper	
Cosmetics, personal hygiene	
Detergents and cleansing agents	
Medical and pharmaceutical products	
Tobacco	
Construction materials and chemical products	+
Household packaging	+

Degree of Vertical Value added

Process Stage	Activity
1. Paper Manufacture	
Pulp Production	
Raw Paper Production	
2. Paper Converting	
Film Production	
Extrusion Coating	
Laminate Coating	
Metallizing	
Dispersion Coating	
3. Printing	
Flexo Print	
Rotogravure	++
Digital printing	-
Offset printing	-
4. Assembly	++
5. Packaging Manufacture	-

\+ Market Presence ++ TOP-10 Manufacturer +++ Market Leader

\+ Process stage delievered by suppliers
++ Process stage controlled in-house

Sources: corporate information, Bundesanzeiger, Hoppenstedt, press reports

Value chain profiles

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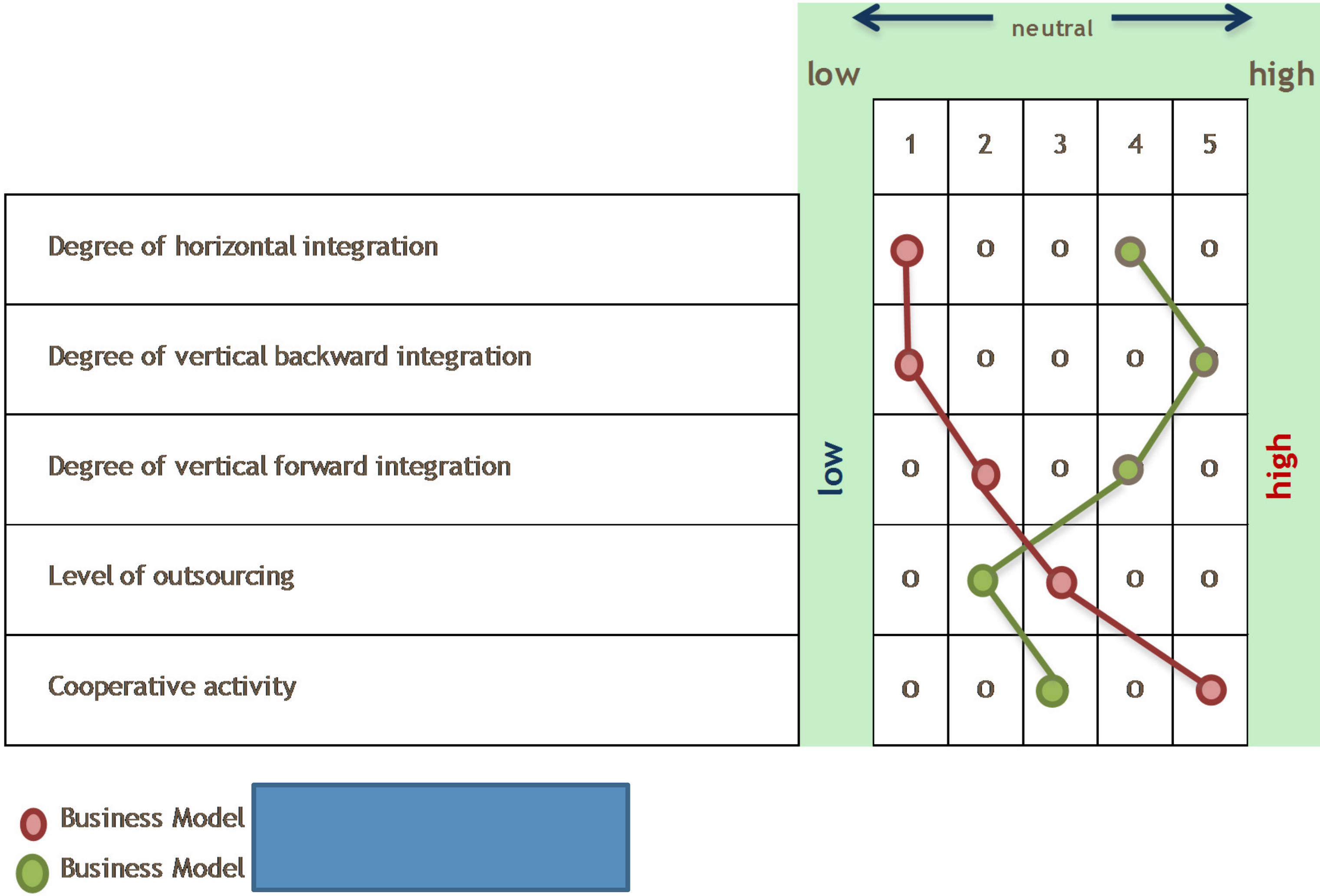
Value creation profile of market and innovation leaders



> Unique description and quantification on forecasts for paper composites sorted by applications across all sectors
> Identification of trends in the packaging sector, particularly in the area of paper composites
> Comprehensive market and competitive analysis of paper composites in Germany
> Market transparency along the entire value chain
> Benchmarking of all essential market players and competitors
> Strategic support for corporate planning and product development due to well-founded market data
> Strategic recommendations for an ideal market positioning
> Optional basis for further consultancy services according to your requirements

> Are you interested in further information?
> Please contact us – we will be happy to help you. info@gvmonline.de www.gvmonline.de