

CHALLENGING THE STATUS QUO

Don't accept things as they are. Don't be invisible. Use consumer insight into packaging design. This was some of the hard-hitting advice for delegates at The Canmaker Summit. Mónica Higuera reports

Delegates had to fight through tornadoes and torrential rain to reach The Canmaker Summit in Spain last month. But it was worth it because more than 130 of the canmaking world's top executives enjoyed some of the most invigorating debates about the future of the business — ever.

They included the world's leading canmakers, their suppliers and consultants, in addition to customers such as Anheuser-Busch, H J Heinz, Masterfoods, Nestlé and Coca-Cola.

Coca-Cola's set the tone of the conference by sharing with delegates how the company is relaunching its iconic contour bottle and building the brand using aluminium bottles. Scott Biondich and Eugenio Mendez, global packaging manager and brand manager respectively, revealed the thinking behind their strategy, which is targeting trendsetters rather than the mass market.

"Traditional approaches are now obsolete. We've reached a point where we can no longer market directly to the masses," said Biondich. Instead, added Mendez, Coca-Cola is targeting trendsetters "because what they are drinking today, in two or three years' time will be drunk by us".

Biondich and Mendez described step-by-step how — in an unprecedented move for the company — they worked to boost the soft drink's image with no consumer research and using "an extremely expensive package".

The package in question is a contour-shaped aluminium impact-extruded bottle made by Exal Corporation in the US and in France (first revealed in *The Canmaker*, July 2005). "But how are you going to get consumers to buy this?" asked Biondich to Mendez. "That was the toughest meeting we had," Mendez told delegates.

Being an iconic brand, Coca-Cola can



afford going into what Mendez calls an "experimentation area" and create a catalyst effect. "Trendsetters aren't a big enough market. But the catalyst effect is so powerful it will create an object of desire. Red Bull did that."

He explained that what trendsetters are doing is preparing the market for Coca-Cola, creating an aspiration for the metal bottle. "We're convinced it will be a success," said Mendez.

Bill Barker, chief of the beverage can business at Rexam and keynote speaker on the first day of proceedings, also spoke of how consumers perceive packaging.

"Consumers are looking for a self-reinforcing image of themselves," he said.

"They would rather hold a product they can identify themselves with and they're ready to pay a premium for it," said Barker, adding that health and nutrition are driving influences on purchases today.

The paramount importance of consumers' emotional response to products was also addressed by David Lightman, of UK-based brand design consultancy SiebertHead. He told delegates to think of packaging as media, and to reflect on what bonds consumers to a brand and what makes these 'sticky'. "The horizon opens



Clockwise from left: Toast for success — Exal's Michael Clark, Coca-Cola's Eugenio Mendez and Exal's president Delfin Gibert couldn't be happier with their winning bottle; Cevolani and Soudronic to join forces? Marco Checci and Jakob Guyer; Empac's Guy Standaert talks to Arcelor's Patrick Baudoin; Ball's top executives John Hayes, John Friedery and Michael Herdman with Glenn Yee from China's Pacific Can; Rexam's Bill Barker was keynote speaker



when designing brands that delight consumers," he added.

Meanwhile Chris Griffin, of PI Design, advised to use consumers' insight as a starting point: "Get to the consumer emotions and find out what it is that turns them on about metal.

"There's a fabulous premium market for metal packaging which will start when the industry understands what its unique selling proposition is. For glass, for example, is clarity. I don't get an idea from the metal packaging industry that it knows what this is," said Griffin.

Nestlé's assistant vice president of

packaging technology Juerg Luck said that packaging is becoming a driver for products. "Packaging can drive purchase decisions, and has become part of Nestlé's overall strategic process," he said.

"In future, consumers do not buy products, they buy expectation. We have to create emotional values for consumers together with perceived convenience. We have to build emotional bridges between the consumer and our products."

The company uses about 14 billion cans worldwide, of which almost a third are produced in-house, mostly for powder products such as baby milk. In value ▶

Chinese whispers

Although the can's share of the Chinese drinks market is unlikely to increase, growth is so strong that demand will call for more investment in lines. That was the message delegates heard from two experts in the business: Terry Voce, chairman and chief executive of Ball Asia Pacific; and Tony Shen, chief operating officer of Shanghai Baoyi Can Making Company.

China is the world's biggest beer market and the sixth in carbonated soft drinks. Voce expects drinks can demand to rise by 3bn units to more than 11bn in 2010, of which some 3.78bn would be for beer, compared to 2.5bn beer cans at present. That suggests that the current capacity of 11.1bn will be reached and new lines will be necessary.

Can growth in the beer sector has averaged ten percent in the last five years, but the cans' share is still only five percent, with the leading packaging choice being 640ml glass bottles, said Voce. Foreign brewers are concentrating on glass, while PET is becoming a threat: "Beer in PET is okay for them, it doesn't carry a negative perception," he said.

In the carbonated soft drinks sector, the can's market share was more than a third in the late 1990s but fell sharply with the wider use of PET. The can's share has currently flattened at around 24 percent, Voce said. "While PET remains a tough competitor, small glass containers are an increasingly strategic pack for Coca-Cola and Pepsi," he added.

The Chinese market is a priority for the world's leading soft drinks fillers, "and Virgin Cola is launching new brands now", he added. Voce reminded delegates that Coca-Cola's volume growth in China was 22 percent last year, or an average of 19 percent annually over the last decade.

The use of steel for beverage cans is just six percent, but Baoyi's Tony Shen expects this to grow to one third of the market in the next decade. Baoyi's parent company, steel maker Baosteel, is investing in D&I canstock capacity, currently 80,000 tonnes a year.

Baoyi is also raising steel beverage canmaking capacity. The company will commission its second plant at the end of next month in Hebei province. Baosteel North Can Making Co is a joint venture with Quan Shun brewery and will produce 700m cans a year.

Shen revealed plans for a third ▶

► plant in the south, near Hong Kong, due to come into stream in two years' time. "The first choice is to convert an aluminium can plant to steel," Shen told *The Canmaker*.

Shen also expects three-piece beverage cans to be gradually replaced by two-piece cans.

"At a price of \$650 per tonne of tinsplate, the cost of three-piece cans is similar to two-piece. But at the current levels of \$800-850 a tonne, two-piece cans save between 25 and 30 percent of the cost," said Shen.

Shanghai Baoyi's Tony Shen provided forecasts for the Chinese market



China's supply of tinsplate in 2004 was 1.3 million tonnes, of which one third was by Baosteel. Tinsplate demand in the country reached almost 1.8m last year, so around 500,000 tonnes of tinsplate were imported, "mainly from Japan, Korea and Australia", said Shen.

Domestic tinsplate demand is now forecast to rise to 2.5m by 2010 and to 3m in 2013, he added. Baosteel's output is due rise accordingly, from around 550,000 tonnes this year to more than one million tonnes in 2010, Shen said.

He estimates the soft drinks market to grow ten percent annually, whereas growth for two-piece cans in this sector is expected at around six percent, or 300m cans a year. Meanwhile the canned beer market is growing at a rate of five percent or 100m cans a year, said Shen. "The can bottling rate has remained at 2.5 percent due to the total beer market growing much faster," he added.

China's current drinks can capacity

| Company | Plants/ lines | Capacity (bn cans) |
|--------------------|-----------------------------|-----------------------|
| Ball Asia Pacific: | 3/3 | 2.0 |
| Owned Minority JVs | 2/4 | 1.7 |
| Crown | 4/5 | 2.5 |
| Pacific Can | 3/4 | 1.8 |
| United/Great China | 2/3 | 1.8 |
| Baoyi | 1/1 | 0.6 |
| Rexam | 1/1 | 0.4 |
| Rongxing | 1/1 | 0.3 |
| Total: | 17 plants / 22 lines | 11.1 |



Above: Coca-Cola's Lovebeing bottles' 'experience' includes coolers with UV lighting. Right: CCH Engineering's Peter Hayward with managing director Steve Higginson



terms, metal packaging represents about a fifth of Nestlé's packaging needs. "The can is not dying out at Nestlé but has to be adapted to the changing consumer needs to prevent it in the future," he added.

Luck regretted, however, that the pace for innovation in metal packaging is too slow. And he said he was annoyed by those who blame regulations and governments for the industry's misfortunes. "Stop saying you are right. Galileo, he was right, but they killed him anyway," he reminded delegates.

He also reminded them that food manufacturers are increasingly using metal packaging to promote and market premium products.

Francis Labbé, chief executive of Impress Group, encouraged the audience to fight back attacks by the media and competing packages such as Tetra Pak, and spoke about the positive aspects of metal packaging.

He said the canmaking industry should act on two fronts: a rational one, defending, promoting and fighting an old-fashioned image; and an emotional front, making more "loveable" products and using celebrities in advertising.

Labbé also questioned the openness to innovation by Nestlé's European marketing executives, to which Luck advised: "Talk to project technology centres first. They are the ones who develop. Don't go to marketing."

Speed for innovation is also a number one priority for Corus Packaging Plus's director of polymer-coated products Jaap Dunnebie. Speed isn't just key to being the first in the market and thus capitalise on "newness value" but also because brand managers have an average three-year shelf life, he said.

And the industry shouldn't be deterred by product development that doesn't see the light of day, said Dunnebie. "Product development still has a low hit rate. But

concept cans are made to learn, not to fail."

A more aggressive approach rather than being defensive was the call from Anders Linde, past chairman of Europen, the European organisation for packaging and the environment, and director of external environmental affairs at Rexam.

Linde also provided an update on Europe's policy agenda on environmental issues and reminded canmakers that the industry has been able to decouple growth from natural resource use.

The value that recycling adds to the aluminium canmaking industry and how it makes cans the perfect sustainable packaging was highlighted by Novelis's vice president and general manager Tom Walpole.

Meanwhile, Crown Europe's president Bill Apted compared metals and plastics' energy consumption. He said that the handful of small plastics plants in the UK that Crown used to own consumed about the same energy that all its larger metal plants in the country together.

But Apted gave a word of caution: "We need to play the recycling card but we'd be kidding ourselves if we thought recycling is going to save our world." Instead the metal packaging industry must target regulators with one single voice, he said.

Apted talked about Europe's canmaking lobby Empac, which has been established to counteract discriminatory packaging regulations by lobbying regulators. Empac's recently-appointed executive director, Guy Standaert, was also present at The Canmaker Summit.

The event was closed by Andrey Donets, chief executive of Russian drinks canmaker Rostar, who showed a series of television commercials where beverage cans are being promoted as "the most civilised package".

Rostar has proved how taking responsibility for creating and presenting a new image for canned products works in helping to raise the can's market share.