

# Tentacles of growth



Despite the heavy toll of a global recession, there are areas showing promise within the packaging and converting industries. **Richard Dalgleish**, managing director of Pro Carton, European Association of Carton and Cartonboard Manufacturers, talks to *PCI* about raw materials, the resilience of the cartonboard industry and its prospects for the future.

## PCI: How has the reduction in economic activity affected the cartonboard industry?

Richard Dalgleish: There hasn't been a major impact, but of course it's been noticed. I suppose the carton industry is fortunate in that just over half the cartons made in Europe are used in the food industry and its related products. As a result, the downturn has been rather less severe than it has been in other areas of manufacturing. The new 'going out' is 'staying in', and a lot of people are buying more pre-prepared foods, most of which are packed in cartons, which is great for many of the businesses we represent.

## Where are the key areas of growth, and what trends have you seen in recent months?

Growth will occur across a whole range of products. Not only do we cover the whole food spectrum including chocolate and confectionary, but we also represent non-food areas, such as tobacco and pharmaceuticals. Pharmaceuticals are where there is always going to be a steady increase in growth. The pharmaceutical industry is remarkably recession proof. People will always need drugs and, with an increasing elderly population across Europe, more drugs are being sold. This is a huge help to the carton industry in difficult times.

In the beverages sector, duty-free purchases may falter a little because people are flying less and this, in turn, has an impact on the carton board industry. Luxury goods with cartonboard packaging will take a hit, but this is also fairly resilient as is the food industry, where more people are inclined to stay at home to drink and eat.

Tobacco is another market worth looking at as it rarely drops significantly during a recession. In general, while smoking has reduced in Western Europe, it is still growing in other areas, and much of that is supplied by European cartonboard manufacturers.

## So the export industry is still thriving?

Oh, yes. Of course, there are pockets here and there where it's not as prosperous as it once was, but overall the carton industry has been remarkably resilient for those various reasons.

## OPEC recently announced that it was aiming for a stable price of \$75 a barrel: is that a realistic price for sustainable cartonboard manufacturing?

Oil is a cost to the industry, but we're fortunate that in our raw material manufacturing industry over 50% of all the energy used by the paper and board mills in Europe is from renewable resources, such as hydro or the trimmings from wood in the mills. Crucially, this means we're not as reliant on oil as, for example, the plastics industry. Not only is it essential to them as a raw material for their product, but it is also their primary source of energy used in the production of the material, so they feel the pinch in that respect more than we do. But I agree, it looks like price of oil will become more stable.

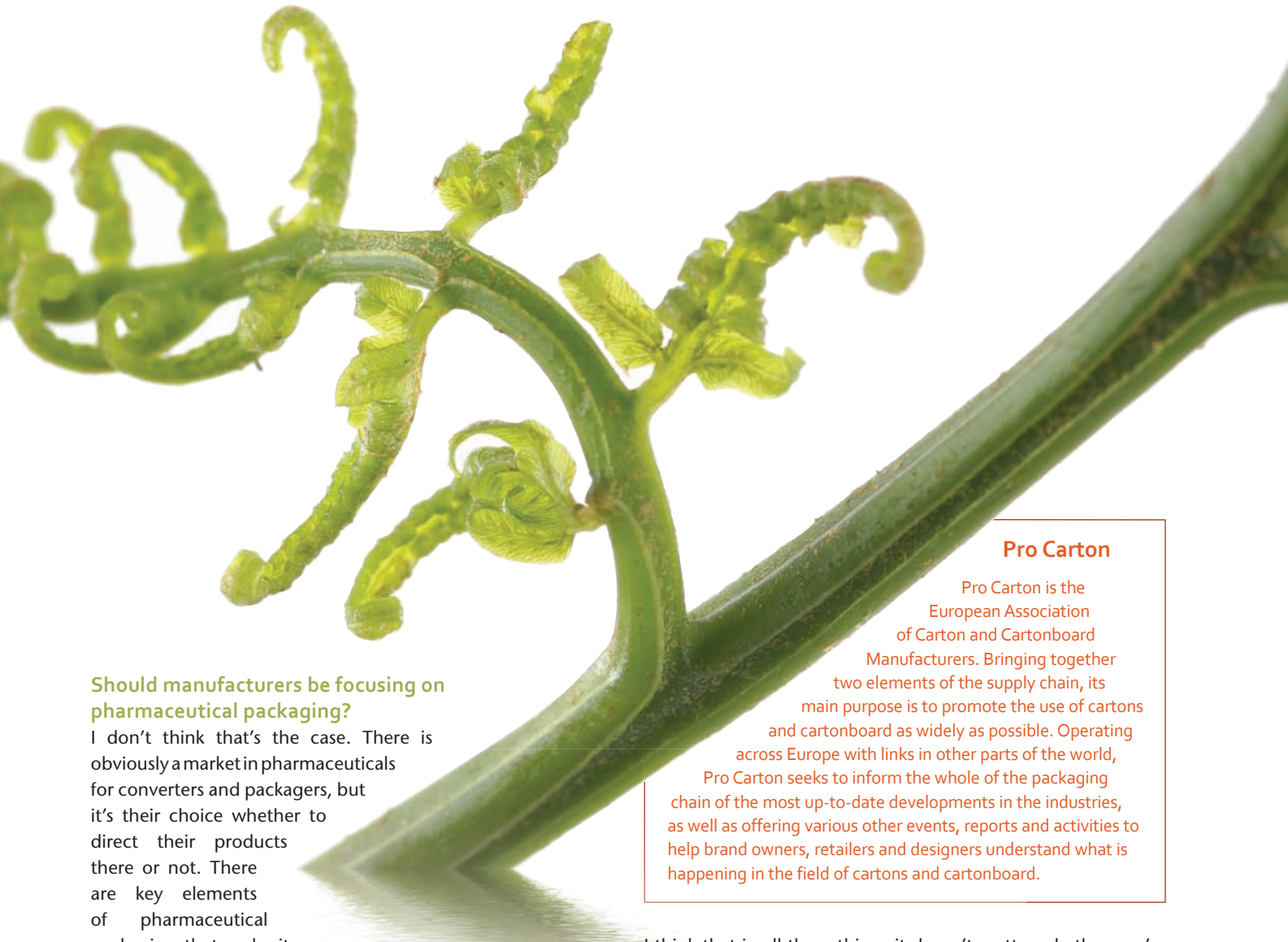
## Has the resulting increased price in plastic mean opened up an area of the market for cartonboard?

The market for cartonboard has always been there, but it relies on other things rather than a straight comparison with plastic. The key issue for brand owners and retailers is to persuade people to pick

things off a shelf: 70% of buying choices are made in front of the shelf, so packaging is seen as an advertising medium as much as it is seen as a means of getting a product from the point of production to the point of retail.

Cartons have an advantage in that the print quality and the finishes you can apply to it gives the product clear recognition on shelf. Brand owners turn to cartons when they need to promote a product more actively on a shelf and that gives us a good advantage. Another good example is in the pharmaceuticals market where legislation states that Braille is a prerequisite on most pharmaceutical packaging. Cartonboard is fortunate in that it accepts Braille more easily than any other packaging materials. With a growing market, there is huge potential for us as an industry. Recognition is important, but given the product inside the packaging, readable instructions is also paramount. Carton can deliver in terms of the print quality and finish tends to be among the highest of all packaging materials.

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### Should manufacturers be focusing on pharmaceutical packaging?

I don't think that's the case. There is obviously a market in pharmaceuticals for converters and packagers, but it's their choice whether to direct their products there or not. There are key elements of pharmaceutical packaging that make it different to any other sector. Security is key and some of the techniques that are available with nanotechnology and print finishes and closures, make cartons ideal for pharmaceutical products.

Within the elderly population, opening and closing some of the packs is difficult and carton makers are becoming more inventive in providing systems that are simpler to use and more inventive. A lot of money is going into innovation and developing different solutions that are aimed more at the consumer to ensure that they are happy with what they are getting.

### Opening and closing solutions also have to make pharmaceutical packaging difficult for children to open.

Yes, but it's also about being able to read the instructions. A lot of pharmaceutical packs have integrated leaflets, so it's all one piece, and it doesn't fall out, so you can't lose it. It's the little things that make a huge difference to consumers and to safety.

### Do you think that's the responsibility of the cartonboard industry or of the brand owner to make those developments?

#### Pro Carton

Pro Carton is the European Association of Carton and Cartonboard Manufacturers. Bringing together two elements of the supply chain, its main purpose is to promote the use of cartons and cartonboard as widely as possible. Operating across Europe with links in other parts of the world, Pro Carton seeks to inform the whole of the packaging chain of the most up-to-date developments in the industries, as well as offering various other events, reports and activities to help brand owners, retailers and designers understand what is happening in the field of cartons and cartonboard.

I think that in all these things it doesn't matter whether you're looking at pharmaceuticals, tobacco or food; it's a combination of knowledge, input and cooperation throughout the supply chain that makes the difference. Packaging has to deliver the product in good condition from the point of manufacture to the point of retail, so everybody has an involvement and the more cooperation there is, the better. Carton makers and cartonboard mills work closely with the brand owners to ensure they are delivering what these people want and need.

It's about making sure that the customer, whether that is the brand owner or the person picking the product up off the shelf, is getting everything they need from the product and its packaging. The convenience when using it is what is so important.

### What is your key focus for the future, and what areas need to be addressed by brand owners and manufacturers?

Sustainability. We are fortunate in that we manufacture a product that is 100% renewable raw material: wood. Yes, we use trees, but we plant more than we use. The problem is that it's not accepted that we grow trees in the same way agricultural farmers grow wheat or barley. It should be viewed as any other crop that is grown for harvest. Once the tree has been used, its fibres can be recycled six or seven times – it's a continuous loop. The raw material is 100% renewable, unlike other raw materials used in packaging. ▶

**Are brand owners taking note?**

This year, 60% of Nestlé's Easter eggs had no plastic packaging at all. They replaced it with a cartonboard tray on the proviso that it was 100% recyclable, which is a great story for us. It's an indication of how big brand owners are thinking. It's very encouraging.

**Can they replicate the same kind of numbers for the Christmas market?**

One would hope so. A bit of intuition and innovation makes a huge difference. Many people think weight is the key and less must be better, but this isn't always the case. Cartonboard is made from a renewable raw material whereas some alternatives are not. While they might be lighter, you can't use the same fibre seven times.

**Protective packaging can only become so thin or flimsy, it's there for a reason.**

Packaging's job is to protect the product. In the UK, virtually all products reach the retailer and consumer in perfect condition. In less developed economies, less than 50% of products are reaching the consumer because of the lack of packaging.

**How will the cartonboard sector develop?**

The key area, especially during a recession, is persuading consumers to choose a product. That's what the brand owners are aiming for. Cartons, because of their recognition abilities on the shelf and the printing techniques, can be used to help a consumer choose and recognise a product and read the instructions. Carton manufacturers realise that, and brand owners are realising and switching. Nestlé

is one of the perfect examples of the sustainability arguments that have taken place during the last three or four months.

**The Nestlé example is one of the best testimonials you could have.**

What more could we ask for? They were taking it very seriously, with full page ads in the national press. It's indicative of the way people are moving; they are realising the benefits of paper-based materials and that they are easily recyclable. It makes sense financially. With the fluctuating price of oil, many other packaging materials may be less economically viable. Should the industry stay the way it is at the moment, cartonboard will grow exponentially. **pci**

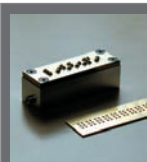
**PROFILE**

Richard Dagleish started his career in the paper industry in 1966 and after spells in various markets moved into the cartonboard sector in 1983.

In 1999, he left cartonboard manufacturing and became managing director of Pro Carton in 2001. He is also MD of CEPI Cartonboard, the European Association of cartonboard manufacturers.



**RICHARD DALGLEISH,  
MANAGING DIRECTOR, PRO CARTON**



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