



# The only way is up

While the economic crisis has been felt across the entire packaging industry, the self-adhesive labelling market has been one of the hardest hit. **Jules Lejeune**, FINAT, talks to *Packaging & Converting Intelligence* about manufacturers' ability to hold out until macro-economic improvement filters through into larger sales volumes.

**T**he self-adhesive labelling industry endured a rough year in 2008, battered by the 'the perfect storm of the financial hurricane', according to Jules Lejeune, MD of the Fédération Internationale des Fabricants et Transformateurs d'Adhésifs et Thermocollants sur Papiers et Autres supports (FINAT), which promotes the interests of self-adhesive labelling manufacturers.

'Despite the warning signs of a severe economic downturn, few could foresee the extent of the impact we have experienced,' says Lejeune. 'The economic crisis has a significant impact on our sector in the mature Western economies, where self-adhesive labelling has been at the heart of business activity for decades. At the end of 2007, annualised growth in labelstock demand dropped below GDP. After a resurrection in the first half of 2008, helped by filmic materials demand, the consumption of self-adhesive label materials dropped below zero for the first time since decades.'

In 2008, total demand for self-adhesive label materials in Europe reached just over 5.35bn m<sup>2</sup>, but labelstock consumption was down by 2.8%, having grown by 4.3% in 2007. The only region not to end up in the red was Central Europe, which accounted for

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30% of Europe's total label materials demand, although southern Europe remained the biggest consumer of self-adhesive materials, accounting for 31.5%. On the positive side, Eastern Europe may have seen demand decrease last year, but the long-term trend shows remarkable growth in the self-adhesive label market.

'The good news is that having reached rock bottom, there is no way but up,' comments Lejeune. 'I am convinced that I will be able to present a significantly different outlook a year from now.'

Across Europe, the early part of 2009 was bleak. Labelstock demand decreased further in the first quarter by 12% year-on-year. Since then, however, the market seems to have bottomed out, and Lejeune remains positive about the industry's ability to ►

ride out a difficult market and return to growth when economic conditions improve.

'The dynamic, entrepreneurial and innovative spirit that has always characterised this industry will be instrumental in eliminating the present doom and gloom, and no doubt will help to present a different outlook by the time summer 2010 arrives,' he says.

**STRATEGIES FOR SURVIVAL**

So far, 2009 has showed signs that the economic recession is becoming less severe, and that the market for self-adhesive labels can afford to be cautiously optimistic in the long run. However, the industry in Europe could still be looking at the prospect of a 7% fall in output over the year. In fact, there are signs that 2010 may be another difficult year and some market analysts are expecting the tough times to continue through to 2012 and perhaps beyond. Manufacturers still have to tighten their belts and look for ways to hold out until a full recovery is firmly in place.

'Assuming that demand for labelstock will remain the same as in the first quarter of 2009, this would give us a decrease in output of around 7% overall for 2009, compared with the 5.35bn m<sup>2</sup> consumed in 2008 in Europe,' said Lejeune at FINAT's 2009 annual Congress in Turkey.

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According to FINAT, the self-adhesive label industry is undergoing radical change. As in many other sectors, globalisation is a major force that is altering the dynamics of the industry. Margins for manufacturers are under intense pressure, while the pace of technological innovation means label printers must move fast to keep up with the capabilities of their competitors.

So, what are the strategies for growth that will see those manufacturers through the challenging times and position them to compete effectively when the global economy recovers? This is a question that FINAT has been keen to help its members answer, and at its annual event in June it brought the industry together to help unearth key strategies for survival and growth. Steve Kelsey from leading global branding consultancy pi3, was among the key thinkers to contribute to the debate on the industry's vision of self-adhesive labels as key elements in product promotion and decoration. His message was that recessions have proven to be 'times of great opportunity, not all-devouring monsters', largely because they are times of accelerated change.

Desperate times fuel innovation, forcing the industry to focus on the unmet needs of specific user groups of users, not least the most affluent, who are relatively unaffected by the recession, and young impulse buyers, whose motto might well be 'live for today'. These users, Kelsey speculates, might be open to genuine novelty and would welcome something new, if manufacturers are able to provide it.

Successful innovation, he explains, is about knowing the needs of the end user, and talking to brand owners will not be

**IMPACT OF THE RECESSION ON THE EUROPEAN PACKAGING INDUSTRY**

- At the end of 2007, annualised growth in labelstock demand dropped below GDP.
- In the first half of 2008, self-adhesive label materials consumption dropped below zero.
- Central Europe, which accounted for 30% of Europe's total label materials demand, was the only region not to lose money.

enough to elicit the right information to fuel new and creative ideas.

**COST AND CREATIVITY**

A recession can be a time for positive action across the industry, and the companies that are likely to emerge as winners are

those that focus firmly on their core business, take an aggressive approach to sales, identify the opportunities for product innovation and, above all, are in a relatively strong financial position.

Lejeune warns, however, that companies that compete solely on price are unlikely to be the ones that will perform best and emerge from the economic crisis unscathed. Similarly, he feels that companies that try to supply every kind of customer with a type of buckshot approach will also have difficulties. Cost control is obviously important, but focusing solely on reducing costs is also not a winning strategy, according to FINAT.

The emphasis is firmly on identifying key target segments in the customer base and innovating with products that will provide those customers with something new and different. There are, of course, some customer segments that will be hard to sell into. Lejeune points to the automotive industry as an example. Too much reliance on that sector, or others that are particularly sensitive to the downturn in the global economy, could also be a recipe for disaster.

Looking for positives, manufacturers of self-adhesive labelling will find some customer segments – notably the food and beverage sector – that offer more hope. Despite some pressure from major supermarket groups to bring in cheaper, own-brand labels, demand for products in that sector is relatively immune to the effects of the recession. People buy fewer new cars in a tough economy, but they still eat and drink.

Another positive is the fact that falling raw materials prices relieve some of the pressure on margins, but this is balanced against the intense competition and a tendency to cut prices. In short, the industry is walking a tightrope, but there is no reason why it cannot successfully cross the chasm of the economic downturn, provided it takes each step with care, consideration and a desire to innovate rather than stagnate. **pci**



**PROFILE**

Jules Lejeune is managing director of FINAT, the global association for the self-adhesive labelling industry. He joined LEJEUNE Association Management in 1991. In 2001, he was appointed managing director and took over the company in 2002. Within LEJEUNE, he also has responsibility of several international labelling and packaging associations.

**JULES LEJEUNE, MANAGING DIRECTOR, FINAT**