



Print Packaging Outlook and Future Trends

2018 International Packaging Printing Forum
26 October, 2018 | Shanghai

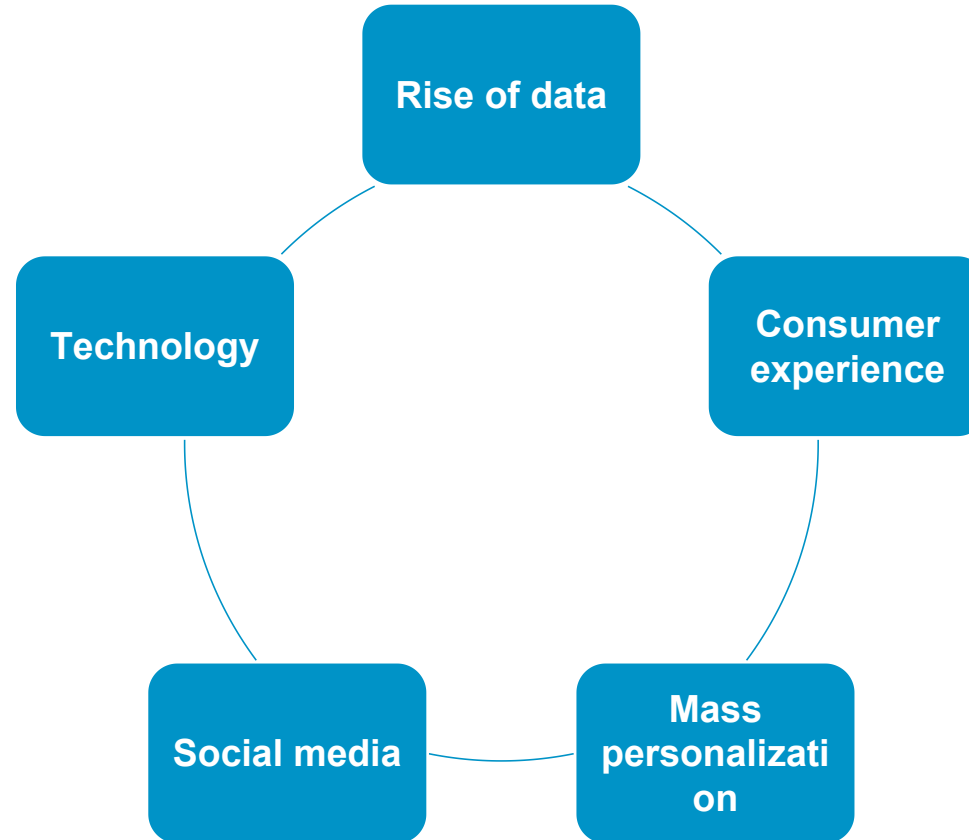
Presenter:
Thayer Long, President



Key 'Outside' Themes

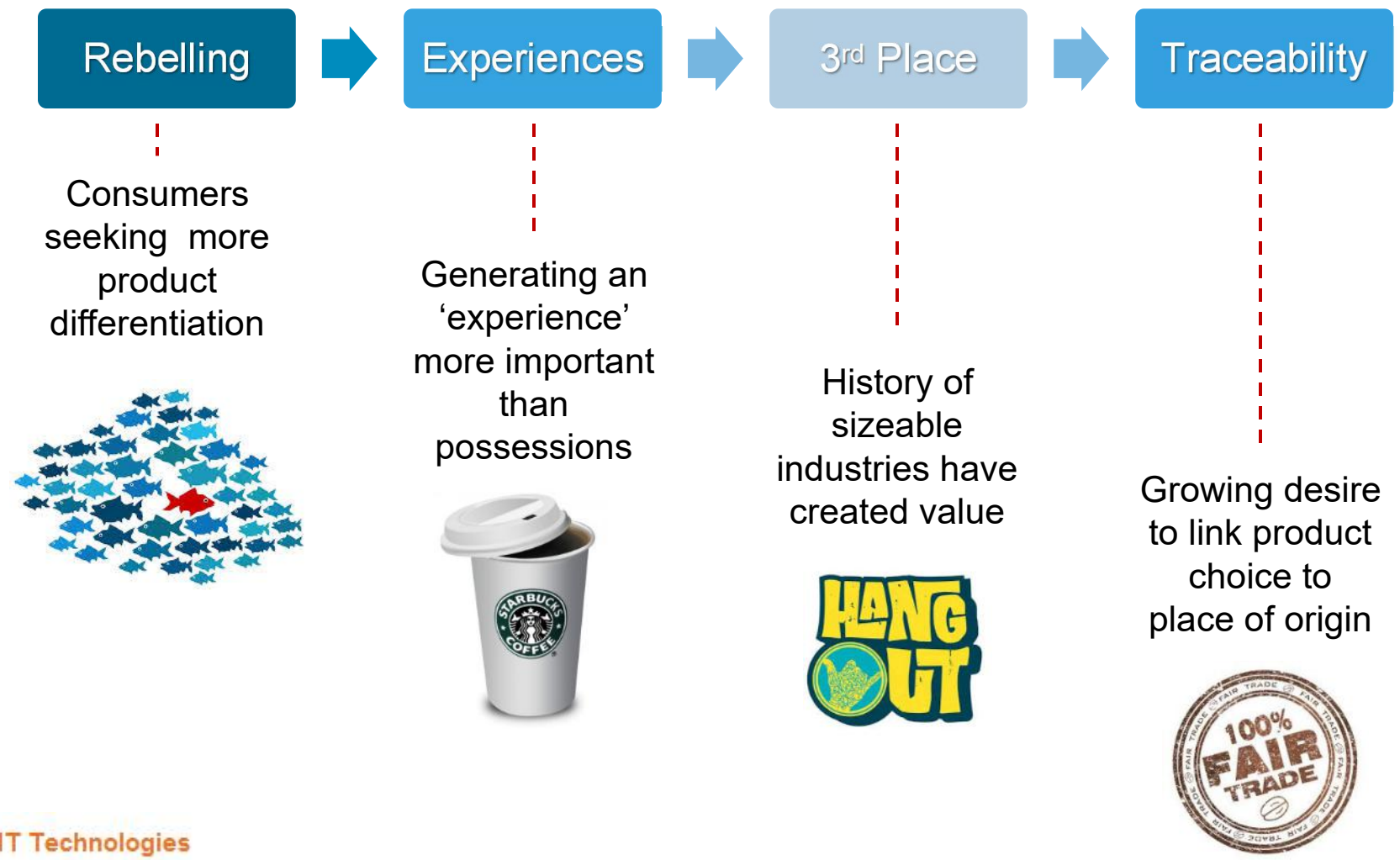
The connection of data and print industries

- The quantity of **data** from new technologies is **growing exponentially**
- Advertisers, publishers, CPGs are using it to better target their customers
- **Personalization** is becoming more important
- **Brands** are critical for connecting with consumers



Consumer Trends

Consumer preferences are evolving across industries

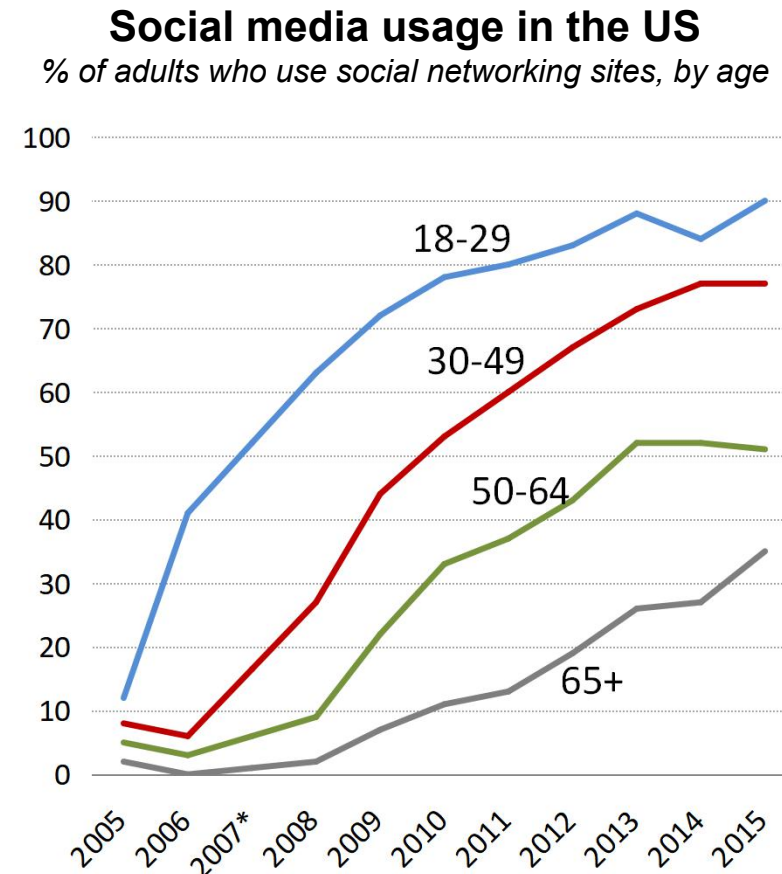


Technology & Communication

The evolving interaction of consumers and digital content

- Access to consumer information is also a product of the rise and adoption of social media
- Trend towards consuming longer written content via smartphones (vs. portable devices)
- Movement away from text based content towards visual mediums
- Online consumption not just due to convenience but also content availability

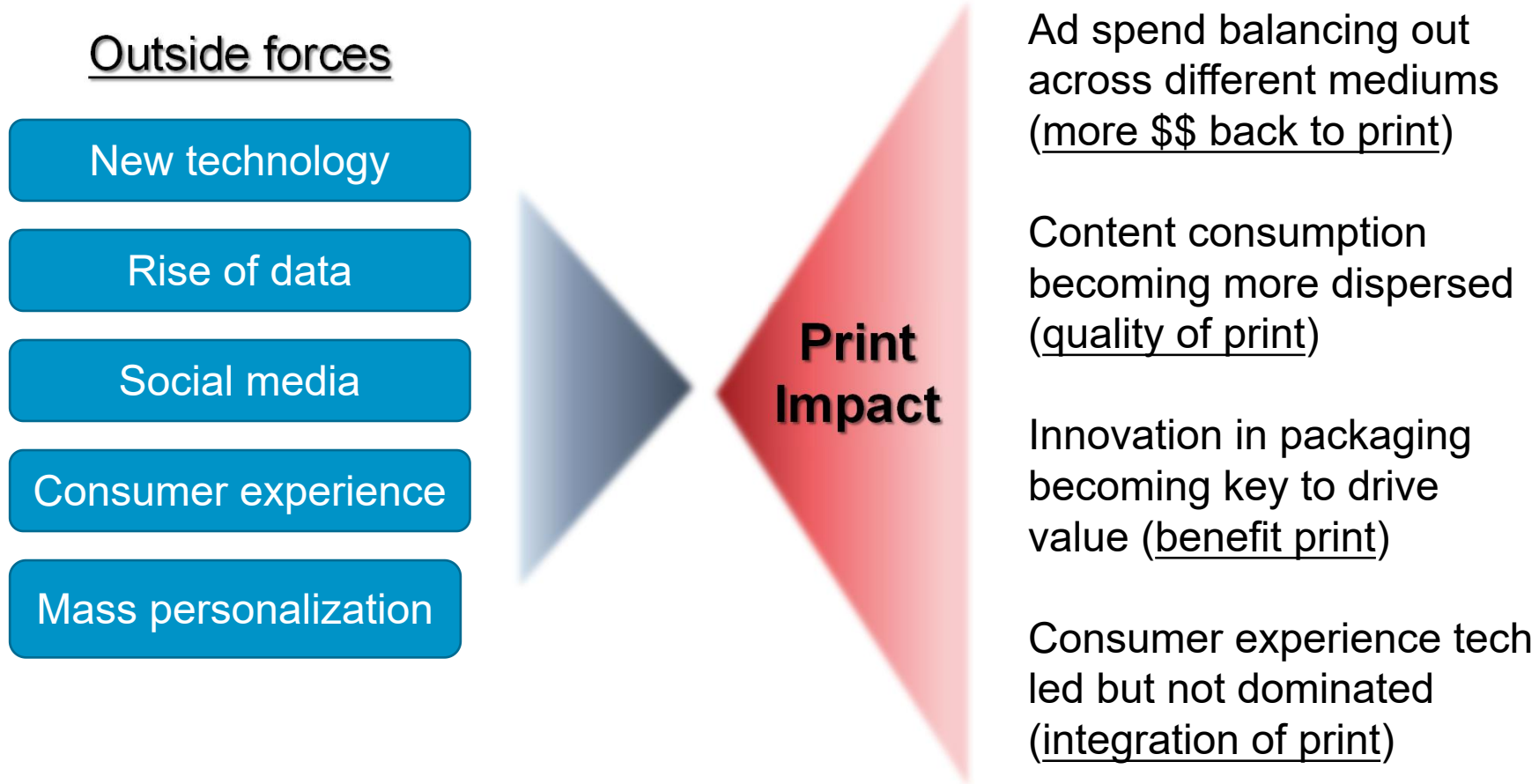
There is evidence of a rising social media (even technology) fatigue



Source: Pew Research Center; *Data not available for 2007, estimated

Print Impact by Outside Forces

Outside forces are driving huge changes for printers



Packaging Trends

Opportunity to drive pricing, change consumers' perceptions



Challenging Environment

- Consumer mistrust, downplaying of traditional brands

Shorter Product Lifecycle

- New lifecycle implies need for shorter production runs

Shifting Channel Behavior

- More frequent shopping shopping on periphery

Value vs. Perception

- Can help preserve product; must manage perceptions

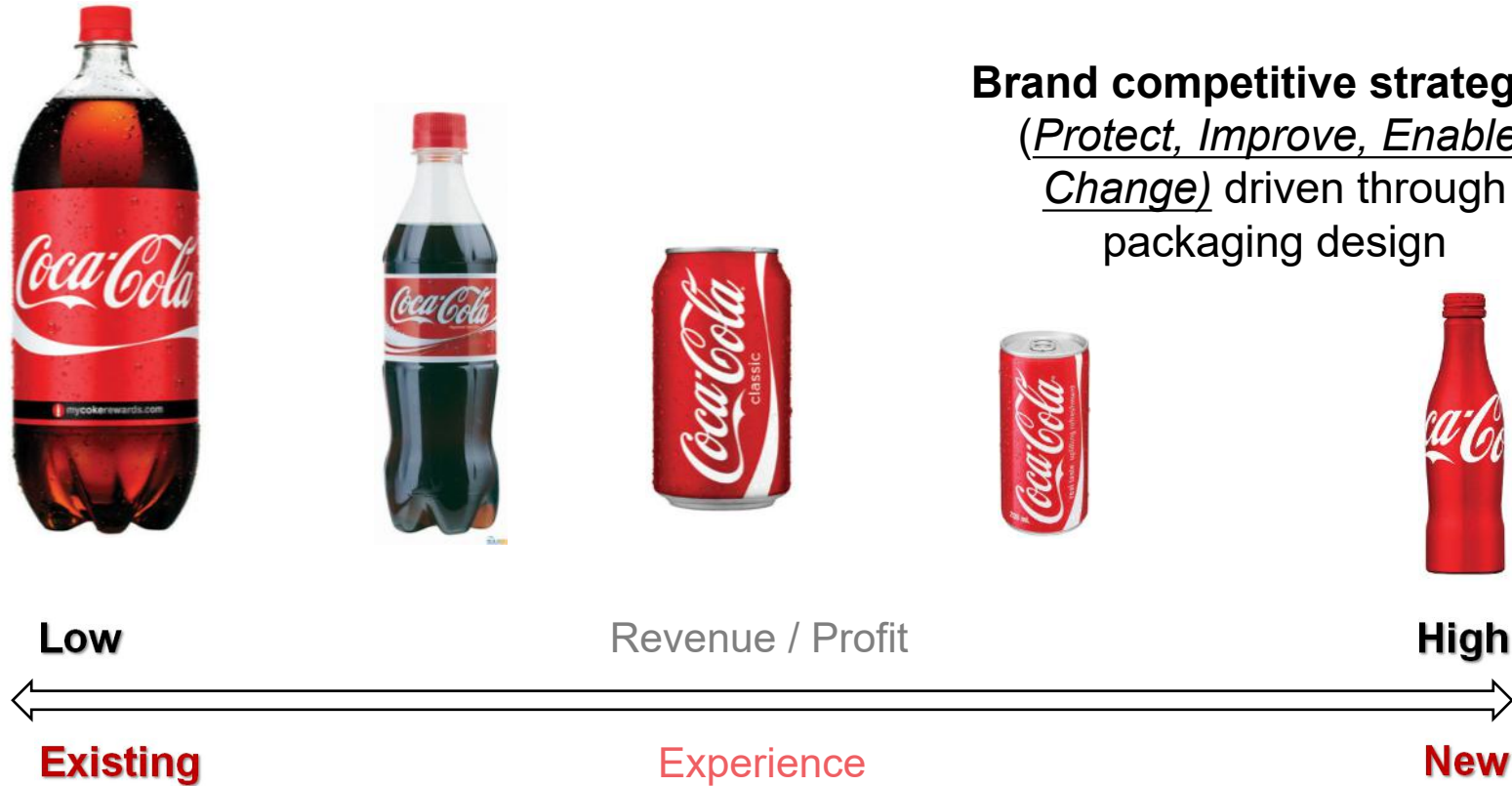
Environmental Concerns

- Sustainability and questions about true meaning

Packaging as Strategy

In a homogenous world, packaging produces differentiation

Packaging defines experience, enables product pricing



Implications for Print

Firms need and can adapt to highly personalized environment

“Readers will continue to value the experience of holding a print magazine in their hands; these publications will become increasingly identified as a luxury rather than an everyday item.”

Michael Brunt
CMO, The Economist

- Consumer driven
- Data & personalization
- Innovative solutions
- Strategic partnerships

Print plays an enormous role in [consumer] perception



There's safety in print

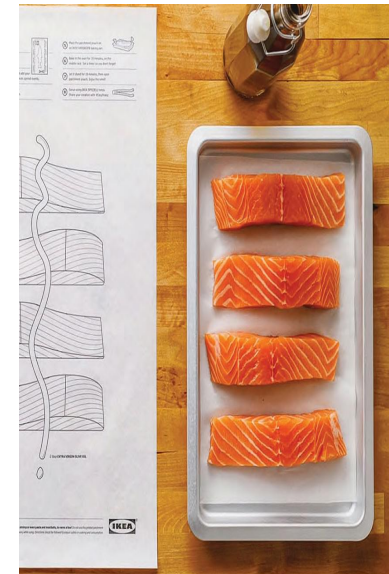


Print, if used right, can be more effective in influencing customers

Future Technologies?

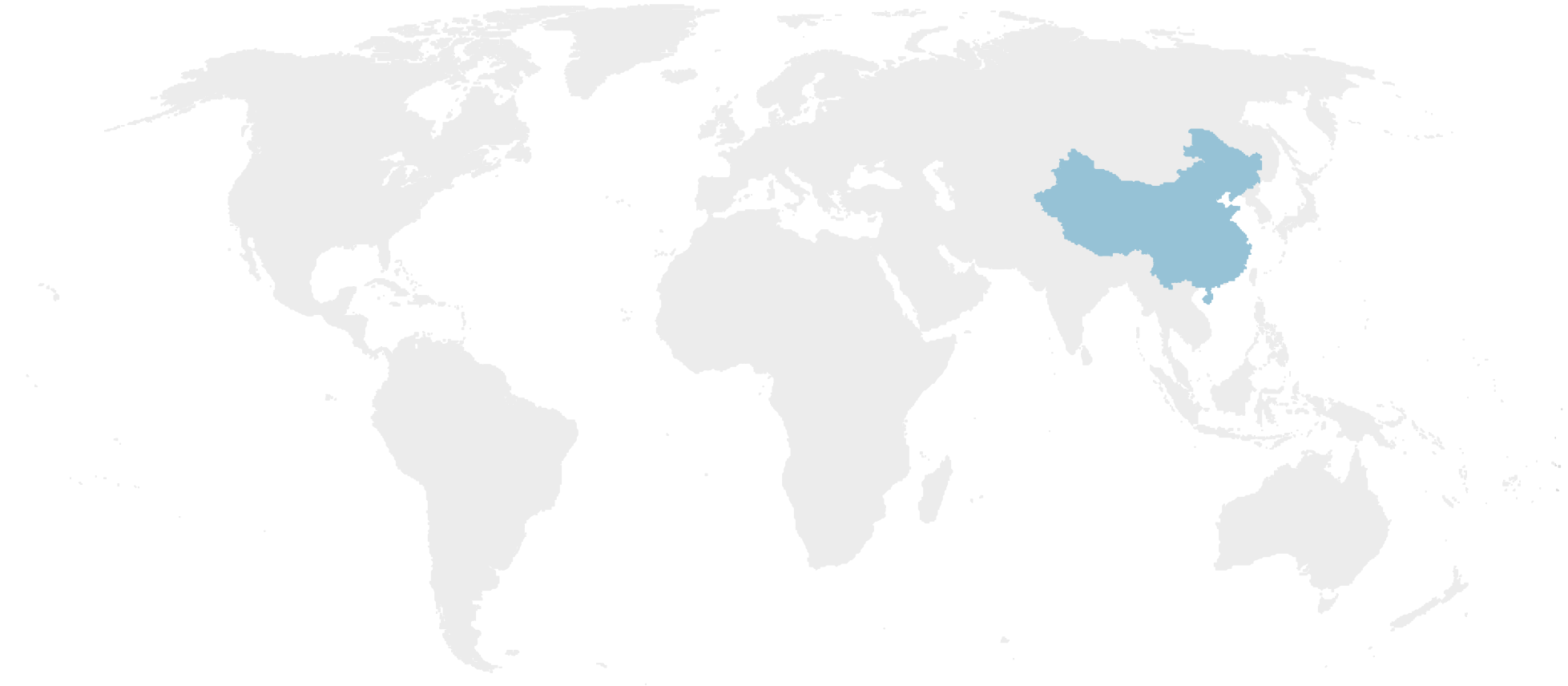
Print is Interfacing with Other Channels

- Interactive Media
- Printed Electronics
- Security Printing
- Augmented Reality/Virtual Reality
- 3D Printing



China – Deep Dive

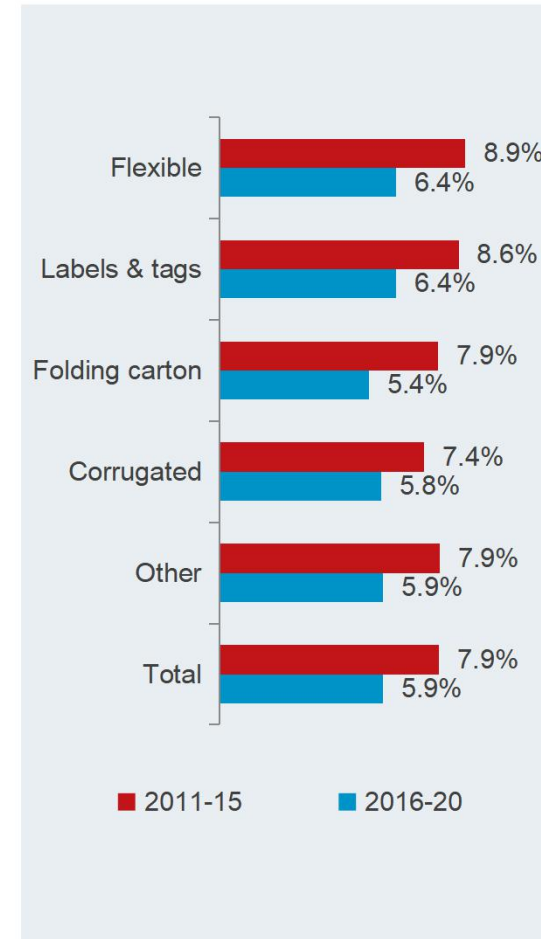
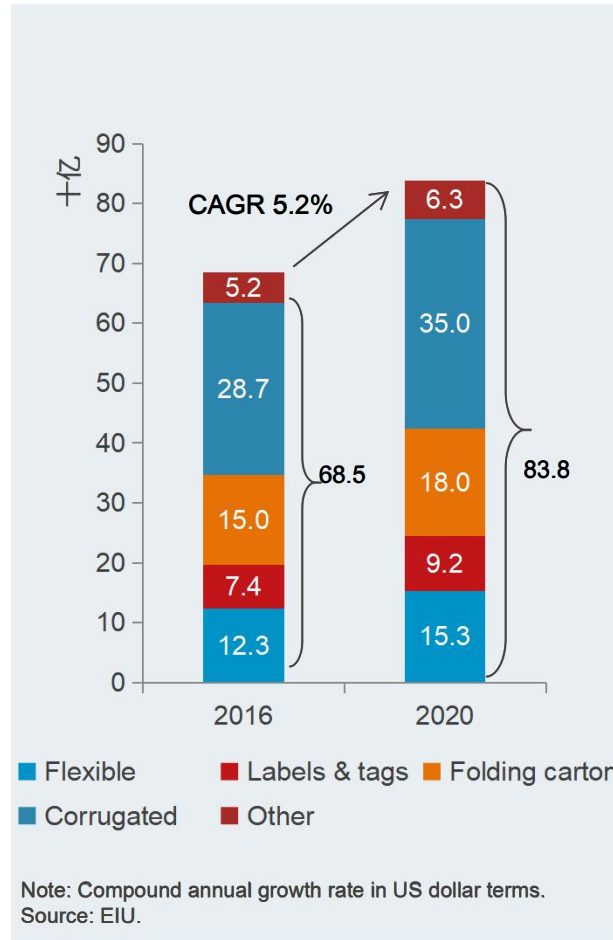
Print Packaging Outlook



China – Overall and Key Takeaways

The second largest market in our study will grow strongly over 2016-20 and narrows the gap with the US, the largest print packaging market.

- The print packaging industry in China weighed in at \$63bn in revenues in 2016. Growth is expected to continue at a very respectable rate of 5.9% per year to 2020.
- China's corrugated print packaging segment is the largest in the world accounting for \$29bn of the print packaging total revenue in 2016. By 2020, this will grow to \$35 bn.
- The rising middle class will continue to support China's consumer market. Print packaging growth will slow down, as manufacturing moves to cheaper labor markets in South-East Asia.

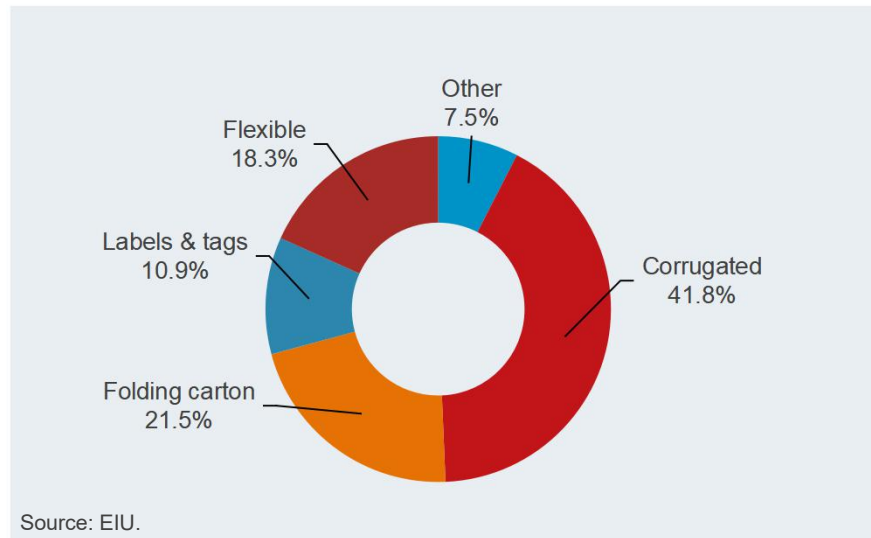
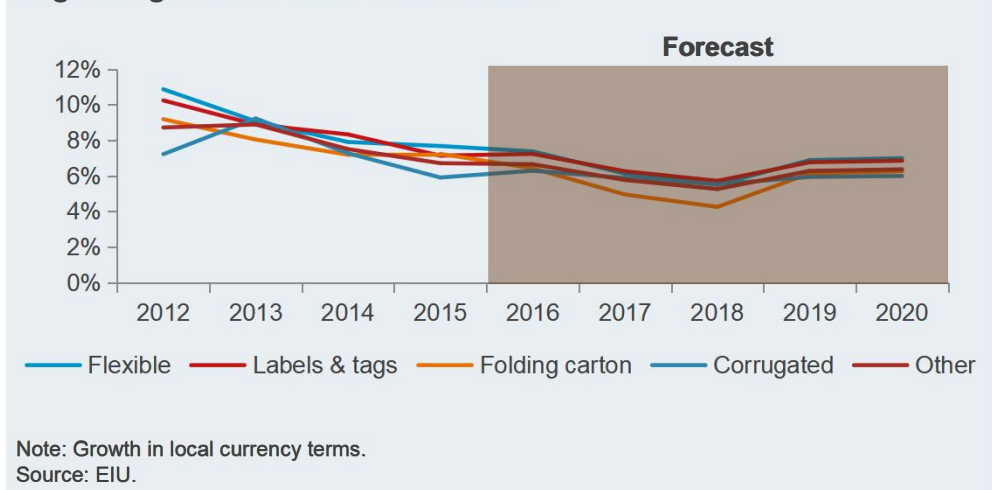


China: Forecast Dynamics and Outlook

China's market will continue to grow strongly, though the pace will moderate as the market matures.

- Private consumption remains the strongest driver of the economy, despite a cooling in activity since 2016. Long term, the outlook for print packaging remains relatively bright, despite slowdown in economic growth.
- China has achieved rapid economic growth through its large and cheap labor market to produce packaged consumables, like toys (tied to folding carton and flexible), clothing (labels & tags) and electronics (corrugated). Though some manufacturing is shifting to cheaper markets in South-East Asia.
- Rising wages and input costs, as well as more complex value chains, do undercut the competitiveness of the country's manufacturing sector. While it will continue to be a major manufacturing hub, growth will slow from 2016-20,

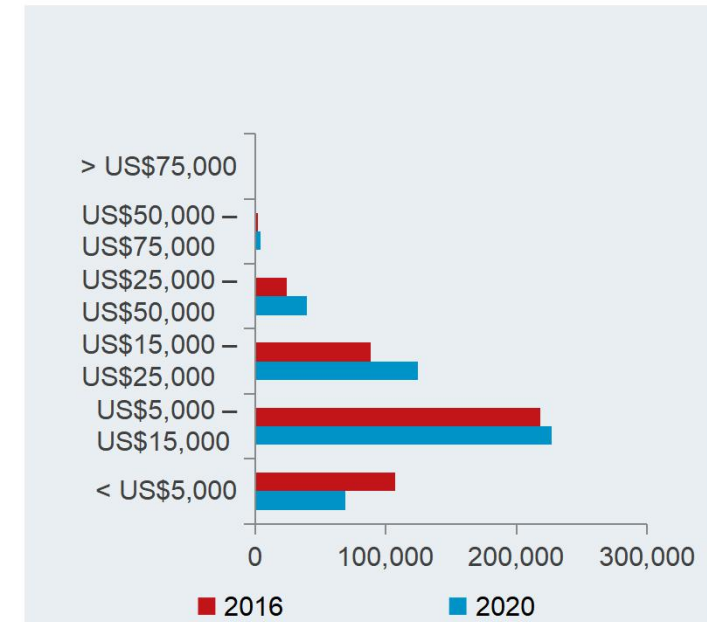
Segment growth in China in 2012-2020



China: Print Packaging Highlights

With the exception of folding carton, China tends to lag other countries in terms of innovation and early adoption of new print packaging technologies.

- Even though it is the second largest market in this study, the print packaging industry in China is antiquated, much machinery used is about 10-20 years old, and is particularly true for corrugated machinery.
- Folding carton machinery in China are relatively more modern, since folding carton is very closely related to goods like toys, and electric appliances that are exported to more sophisticated markets.
- Furthermore, folding carton is also associated with the production of luxury goods and cigarettes, both of which are huge in China.
- China is already the world's largest e-commerce market, which is reflected by the large corrugated segment. Since 2016 online sales growth rate remained impressive at above 25%.

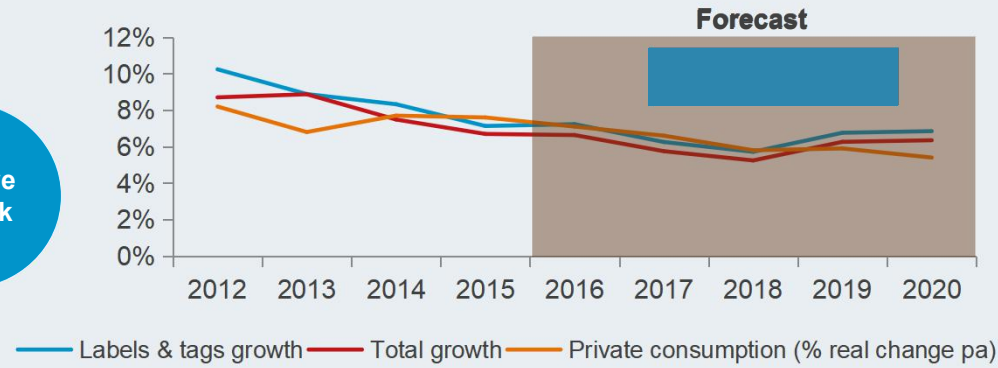


Source: EIU.

The growth of the middle-class in China will remain strong, but it will slowdown as it reaches new highs. The number of households earning more than \$15,000 pa will increase to 170m in 2020, from 115.2m in 2016.

China: Key segment analysis

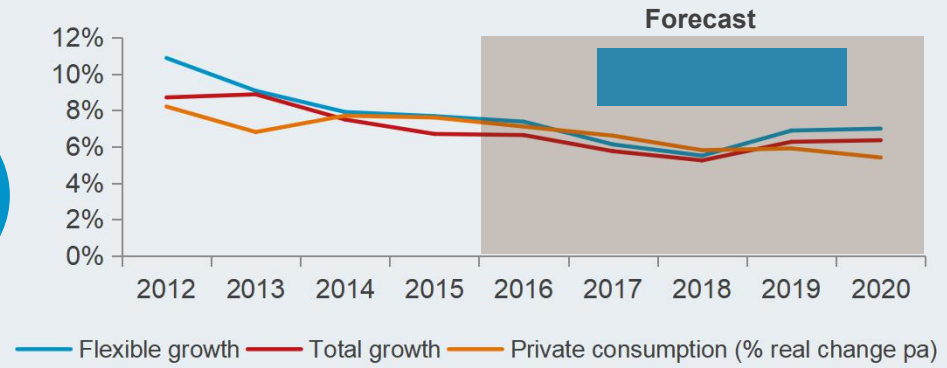
Positive outlook



Note: Print packaging growth is in local currency terms.
Source: EIU.

- Many personal and home care products (such as toothpaste and detergents) are shifting packaging vessels from flexible to PET bottles, which use labels & tags.
- The shift of manufacturing in clothing and textiles to other cheaper labor markets in South-East Asia may affect labels & tags to some degree.

Positive outlook

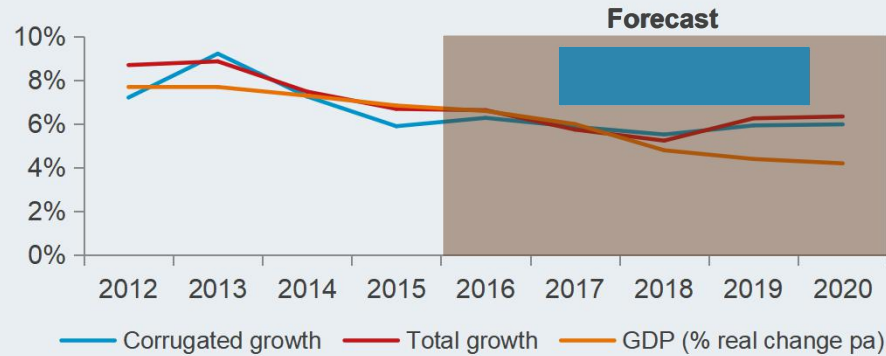


Note: Print packaging growth is in local currency terms.
Source: EIU.

- Unlike other emerging markets where flexible is the largest segment, in China flexible is only the third largest segment.
- In 2016-20 the flexible segment will grow strongly as manufacturers increasingly prefer flexible over folding carton.

China: Key Segment Analysis

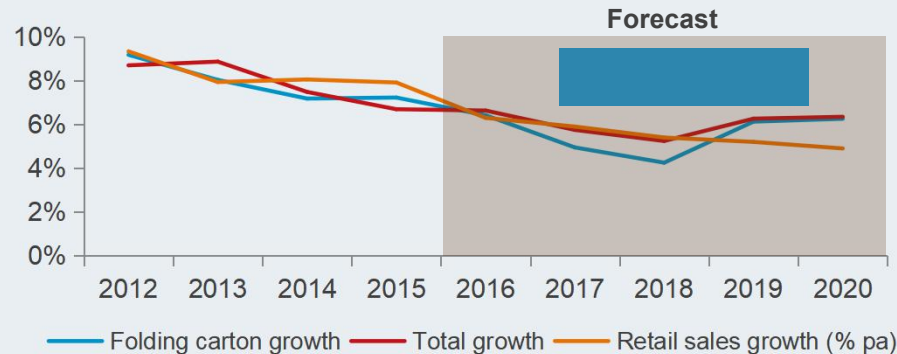
Stable outlook



Note: Print packaging growth is in local currency terms.
Source: EIU.

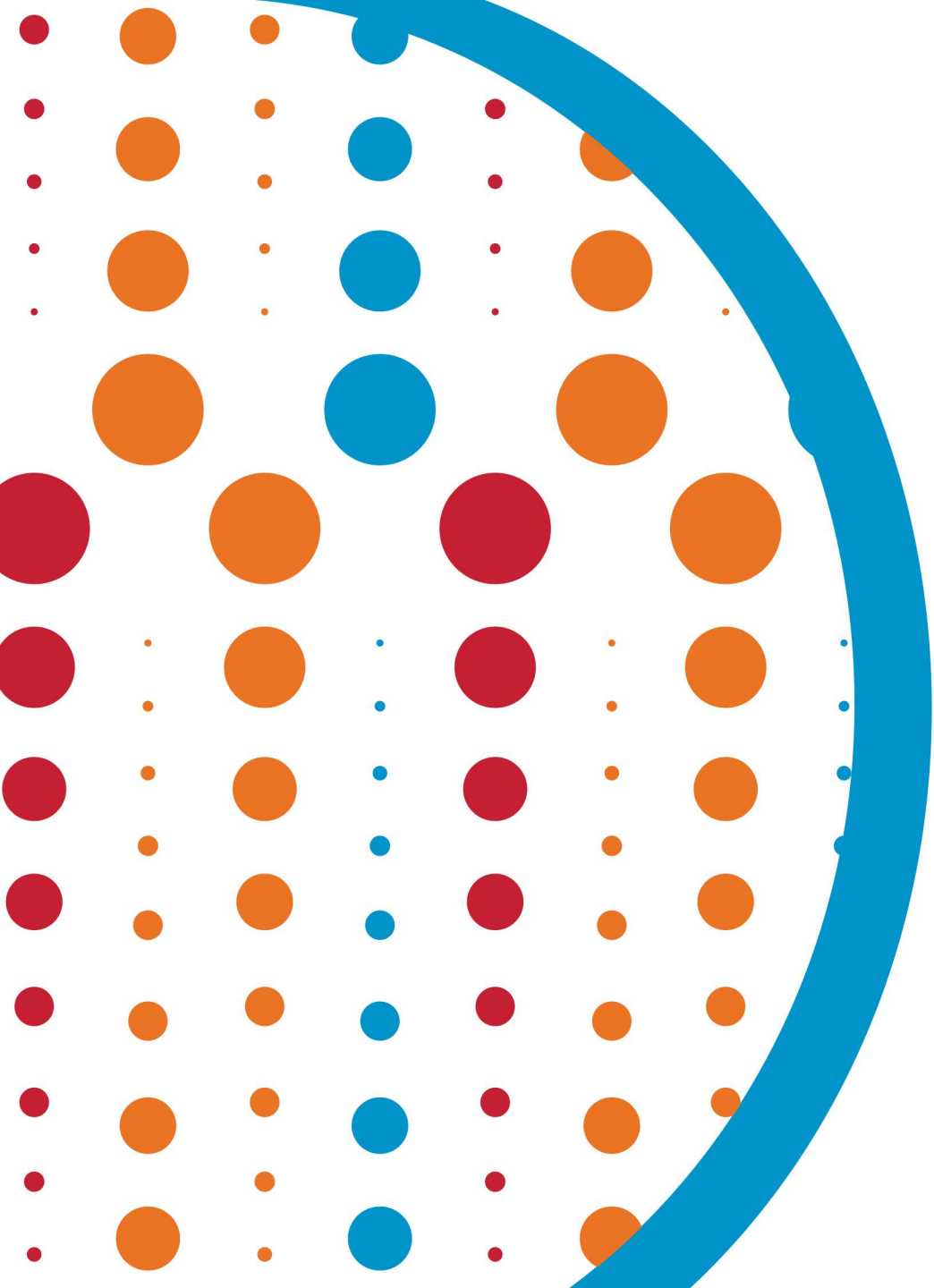
- China's corrugated segment is the world's largest, a reflection of its export-oriented economy.
- Corrugated growth will remain stable in 2016-20 as e-commerce is growing strongly owing to increasing internet penetration and urbanization.

Stable outlook



Note: Print packaging growth is in local currency terms.
Source: EIU.

- Folding carton is a popular packaging vessel in China largely because it is associated with luxury goods and cigarettes, both of which are huge markets.
- Luxury goods will continue to grow as the income in China increases.



Thank You!

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