“Flexible packaging. Wow! Who would ever have thought you would use that word when you talk about what packaging can do,” says FPA President Marla Donahue in speaking at Flex-PackCon 2015. And, she continues, the Wow factor is a key reason why flexible packaging is growing and gives converters wider opportunities.

“The simplest way to say it is that flexible packaging makes life easier for the consumer,” Donahue continued. “It also grabs attention on the shelf to help the retailer, and it helps brand owners by making new products possible.”

The attractiveness of flexible packaging stems from how well it aligns with consumer, retailer and brand owner needs.

In looking at the consumer, Donahue cited recent research that FPA commissioned. In a Harris Poll, consumer rated these as their top five packaging characteristics.

- Easy to store
- Resealable
- Easy to open
- Extends product life
- Easy to carry

That same Harris Poll also indicated that consumers would pay a premium for those characteristics. For example, the Harris survey reports that some consumers would be willing to pay, on average, as much as 14% more for a food package that was resealable.

**Demographic Differences**

Donahue noted that the willingness to pay more varies by demographic. People earning less than $50,000 per year were willing to pay significantly more for extended product life. Millennials are willing to pay more for packages with the ability to be recycled.

We’re seeing a shift in consumer sentiment on environmental issues, says Donahue. Consumers are developing a “better for the environment” perception in addition to thinking of recyclability. One example, examined in the Harris Poll, involves packaging for carryout rotisserie chicken. While a thermoformed tray and lid earns a higher rating for “recyclable,” a bag with a window earns a high rating as “better for the environment.” That conforms to emerging consumer thinking: More sophisticated consumers are able to assess several environmental factors rather than relying on “recyclable” only.

Feedback from the Harris Poll done for FPA shows how consumers perceive environmental issues.

“Recyclable” is just one element that forms the perception.

**Brand Owner View**

Brand owners have their own list of packaging attributes they believe are important to consumers. Brand owners agree with consumers on resealability, easy-to-open and extends-product-life attributes. However, they put “able to see product” and “attractive packaging” in the top-five list.

More than reflecting consumer concerns, those characteristics answer the brand owner’s needs as they look at the point of sale. Product visibility and shelf impact are two things that brand owners believe impact sales as the consumer makes the buying decision at the shelf. Brand owners also rank these factors highly: Cost savings, efficiency/productivity and material reduction.
Donahue cautions that any interpretation of broad survey data needs to consider specific packaging decision-making processes. “How packaging development uses the data depends on where in the world the decision is made and whether it is for a new or existing product,” she elaborated.

**Delivering Plusses**

Donahue stressed that advances in flexible packaging deliver the attributes that both consumers and brand owners want.

- Downgauging addresses brand owner cost issues
- New barrier materials improve product life needs of both consumers and brand owners
- Easier opening and better closure methods address top consumer needs
- New printing technologies deliver the brand image and shelf impact that brand owners want.

Donahue cited winners of the 2015 FPA Achievement awards and detailed how they supported consumer and brand owner needs.

The McCormick Skillet Sauce Mix Pourable Pouch gives consumers an easy-open feature with a spout that lets consumer direct and control dispensing. The stand-up format makes it easy to store. Shape and graphics give the brand owner shelf impact. From a marketing perspective, the pouch helps McCormick differentiate its entry into the liquid sauce category.

The Rust-Oleum SpraySmart Marking Paint Pouch answers environmental needs by replacing a rigid aerosol. Pouches evacuate more product, take up less space and do not require disposal as a hazardous waste.

Some key agenda issues:

- EPA Update.
- OSHA Update.
- 2012 Hazard Communications Standard.

Expect senior officials from EPA and OSHA at the meeting along with flexible packaging industry professionals. In addition to insights from presentations, networking with regulators and peers is a significant Summit benefit.

**To Learn More**

For details on hotel reservations and Summit registration, go to www.flexpack.org. Click on “Register for the 2016 EHS Summit.”

FPA’s Environmental, Health and Safety Summit is set for Jan. 26-27, 2016, and the deadline for the special room rate is Dec. 31, 2015. The meeting is at the TradeWinds Resort, St. Petersburg Beach, FL. The agenda has a broad impact on the flexible packaging industry, and the meeting is open to FPA members and non-members.
WHEN FLEXIBLES DRIVE RETAILER SUCCESS

What are some of the key drivers of a highly successful food retailer that uses flexible packaging as a lever to success? Doug Rauch, former CEO of Trader Joe’s, related these points at FPA’s 2015 Fall Executive Conference:

- Reliance on a culture of continuous innovation
- Creation of destination products
- Recognizing that the U.S is in an era of abundance without waste, and that the perception of food waste is a reality

Rauch, who led Trader Joe’s through tremendous growth as a specialty food retailer, elaborated on these factors; in doing so, he offered the flexible packaging industry insights on the thought process of innovators that set trends in retailing and packaging. Among the factors for Trader Joe’s success is what Rauch calls a “culture of continuous innovation.” Part of the environment is a willingness to tolerate failures.

How can that culture impact suppliers? First, he said, it asks that suppliers do the “heavy lifting.” It also asks that suppliers be collaborative partners. To do that, suppliers have to recognize the customer’s needs and business objectives. One of those particularly cited by Rauch is the need to reduce labor costs and to address labor issues.

For Trader Joe’s a specific issue is how to create destination products—those that bring customers to a specific business and help create a relationship between the business and its customer.

Bagged Salads

One example: Bagged salads, a concept brought to Trader Joe’s by Ready Pac Foods. Rauch underscored the need to put innovation in terms that appeal to the retailer. He said that technical advances may have made the packaging possible, but that’s not what appealed to him. “What it meant is that we could be in the produce business,” he said.

Anyone shopping Trader Joe’s today can find a comprehensive specialty produce section where packaging answers consumer preferences for easy-to-prepare vegetables. Produce continues as a leading-edge category today as the concept of food waste moves to the “front burner” for consumers. Rauch notes a trend among consumers toward abundance without waste—people want more experiences while using fewer resources.

Consumers Care

“On the issue of food waste, people care about it,” Rauch said. And, he believes, increasingly sophisticated consumers accept packaged solutions versus the unpackaged “natural” products. He observes that consumers use store-provided bags when they buy loose produce at a grocery, and that becomes an element of their value equation. They are also more accustomed to packaged foods than earlier. “Costco has lead the way in pre-packaged foods,” Rauch says in noting how that shopping experience helps make packaged foods more acceptable in other retail environments.

Calendar of Events

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<th>JANUARY 26-27, 2016</th>
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<tr>
<td>2016 FPA ENVIRONMENTAL, HEALTH AND SAFETY SUMMIT</td>
<td>2016 FPA ANNUAL MEETING</td>
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<td>TradeWinds Island Grand Resort, St. Petersburg Beach, FL</td>
<td>The Ritz-Carlton Golf Resort, Naples, FL</td>
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<td>This two-day summit is for environmental, health and safety professionals and managers, at both corporate and plant levels. The multi-session forum offers valuable regulatory updates.</td>
<td>This three-day meeting has sessions that focus on industry-specific issues. It offers great networking opportunities and presents winners of the 2016 FPA Flexible Packaging Achievement Awards.</td>
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HOW PRIVATE EQUITY EVALUATES COMPANIES

When a private equity group looks to invest in a packaging company, several key factors determine how it evaluates the firm. Greg Elliott, Partner in the Sterling Group, outlined those points in his presentation to FPA’s Fall Executive Conference.

The Sterling Group is a private equity firm whose acquisitions in the flexible packaging field have included Liqui-Box, a company that makes pouches, bag-in-box containers and fillers. Elliott examined five core factors that influence valuation.

1. At the top of his list of core factors is the question: Does the company have market leadership? One concept that ran through his examples involves niche products. Being strong in niches can be a plus when private equity firms value potential acquisitions.

2. Are there defensible barriers to entry by competitors into the company’s market? Elliott cited a non-packaging company that makes filter systems for aviation and industry. Among the barriers to entry are the costly and time-sensitive certifications competitors would have to take before selling jet fuel cartridges into the market. For Liqui-Box, he noted the number of Liqui-Box machines operating in the marketplace creates a natural connection with the Liqui-Box packages and a barrier to entry by competitors.

3. Does a company have recurring revenue? The ability to generate that kind of revenue can depend on a packaging company’s end use markets. How well do those markets hold up through economic cycles? An element in this factor is the stability of a company’s end use markets. In the case of Liqui-Box, Elliott noted its penetration into the quick-serve restaurant market—what Elliott considers a stable sector.

4. Is there an opportunity for improvement? Elliott focused on a company that had been in Sterling’s portfolio. It distributed roofing supplies, and its improvement was to take a series of branches and tie them together into a coordinated network. By doing that, the company was able to thrive in any housing/construction environment.

5. The final area Elliott stresses is the strength of a company’s management team. A track record of success and a passion for operations are two bellwethers that private equity firms use in assessing management’s strength.

For More Info
For a copy the presentation, FPA members can go to www.flexpack.org and click on: “Download Presentations from the FPA Fall Executive Conference.”

FACTORS THAT INFLUENCE A COMPANY’S VALUATION
Private equity expert Greg Elliott says these five factors can influence how a company is valued. He says that analysts will ask: Does the company have:

- Market leadership
- Defensible barriers to entry
- Recurring revenue
- Opportunity for improvement
- A strong management team

Recurring revenue
3. Does a company have recurring revenue? The ability to generate that kind of revenue can depend on a packaging company’s end use markets. How well do those markets hold up through economic cycles? An element in this factor is the stability of a company’s end use markets. In the case of Liqui-Box, Elliott noted its penetration into the quick-serve restaurant market—what Elliott considers a stable sector.

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MAKING PLANS FOR THE FPA ANNUAL MEETING


The meeting has general sessions covering topics important to the industry; it also offers wide networking opportunities. Speakers include:

- Howard Fineman, Global Editorial Director of The Huffington Post Media Group and a Political Analyst for MSNBC.
- Secretary Carlos Gutierrez, a former Kellogg CEO and Chairman, and a former Secretary of the U.S. Dept. of Commerce.
- Stan Bikulege, Chairman and CEO, NOVOLEX™.
- Nick Vafiadis, Senior Director, Global Polyolefins and Plastics, IHS Chemical.
- Jan Homan, Chairman, Flexible Packaging Europe and Member, Supervisory Board, Constantia Flexibles.

Get More Information
Go to www.flexpack.org to get updates on more speakers. Get information, too, on discounted room rates.