



by John Zarwan

Is Packaging a Real Opportunity for Commercial Printers?

The above-trend growth in commercial printing of the 1990s has come to a screeching halt. Whether the difficulties of the last few years are cyclical, or the portent of something longer-term, it is clear that it will be some time before printing will again face a positive environment provided by technology from the last century. As a result, commercial printers are looking to other markets.

Packaging is one of those alleged growth opportunities that often comes up. Package printing continues to do well, certainly compared with the difficulties facing many commercial printers, and thus appears to offer a path toward growth and riches – scarce commodities in an increasingly challenging business environment.

Packaging is a large and dynamic market – Canadian manufacturers purchase \$10 billion to \$15 billion of packaging material every year – offering many crossover opportunities for commercial printers. The fundamental role of packaging in relation to product promotion, transportation and protection will continue to increase.

Packaging is largely immune to the digitization of documents and many of the other mounting pressures facing commercial printers. And as graphics become more important in packaging, with more colour and higher quality, the opportunities for packaging printers look very attractive. It is only natural that commercial printers cast an envious eye.

But before everyone jumps into this market, printers must recognize that the process of expanding into packaging will not be easy. Capital requirements are high. Packaging requires different printing processes and quality control, and utilizes very different skill sets than commercial offset. Accordingly, the transition will be difficult.

First, while package printing may offer more growth than many segments of commercial print, it is still very much tied to the economy: fewer goods being manufactured and shipped is another way of suggesting that less packaging is required. Moreover, the relative cost of packaging as a proportion of the total cost of Canadian manufacturers has decreased, as prices paid for packaging by almost all industries fell during the 1990s.

Second, not all of the packaging segments grow equally. The largest segment, corrugated containers, is probably the most economically sensitive; most corrugated is used for shipping. Flexible packaging, on the other hand, is the fastest growing type of packaging. It is also the most diverse. The problem is that flexography is the dominant printing process for flexible packaging. As a result, getting into flexible packaging requires large investments in new presses and learning new printing methods and technologies. A daunting, expensive and challenging task, but by no means impossible.

Two packaging segments in which offset printing is strong, thus requiring less press investment, are labels and folding carton. But the folding carton segment is flat – at best. So any gains here will have to come at the expense of existing converters. Flexo is the most common printing process for labels and is gaining share, as the fastest growing types of labels are flexible, especially shrink wrap, which is also printed on flexo presses.

Nevertheless, folding cartons and labels are two obvious avenues

for the commercial printer who wants to move into packaging, as they at least can make use of the same printing processes. However, moving into packaging means that the commercial printer must learn about new technologies, substrates and materials. Sometimes you'll need different presses so that the packaging can be printed economically and efficiently. And you'll certainly require converting equipment.

Commercial printers will face heavy competition from existing converters, who are also consolidating. Moreover, you'll be faced with a completely different set of regulatory issues, particularly safety. Publishers tend not to face lawsuits over paper cuts, but packaging is critical to product protection.

Does this mean that commercial printers should give up and not even think about packaging? Not at all. Packaging represents an opportunity for some. Commercial printers have many advantages in expanding into packaging. Unlike many converters, they have already adopted a digital workflow and prepress operations. And they have already adjusted to the shorter run lengths and faster turnaround times that are beginning to affect converters. Commercial printers have experience with such production efficiencies and cost advantages that counter-balance the required learning curve as printers transition into packaging.

Equally important, commercial printers already have a presence among the end user. Many of your customers are consumers of packaging. Packaging offers an opportunity to offer a wider array of services to existing customers. Commercial printers already have equipment that can manufacture simple packaging-related products, things such as inserts, coupons and coupon programs, many labels, and point-of-purchase. These are products commercial printers already know how to manufacture and may be providing their customers for other non-packaging applications. It is a relatively simple move to call the manufactured product packaging.

Another area that offers an opening is the potential for digital printing in packaging. We are all familiar with product codes. But increasingly, digital technologies are making inroads into packaging. Those printers familiar with these technologies can offer additional services, insight, and experience to their customers.

Packaging offers a great opportunity to develop closer, deeper and broader relationships with existing customers. But it does require some research into specific customer needs and intensive marketing activity, often to a different buying centre.

For those printers willing to make the investment in equipment and manufacturing processes, education, training, and market analysis, packaging offers an interesting avenue for growth and expansion. It will not be an easy road. As with any important new venture, some will find it not worth the effort; others will try and fail, perhaps spectacularly. Some will succeed, but not as many as the proponents of this opportunity would lead you to believe. ♦

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