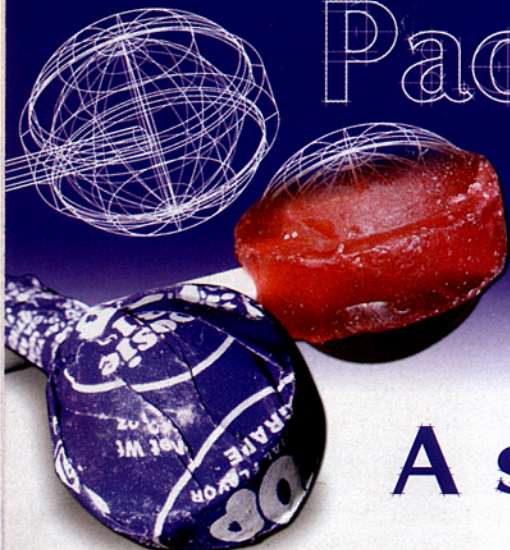


# 2004 Candy Industry Packaging Survey



## A sweet 'n sour outlook

New package materials and equipment abound to help the candy industry take advantage of market opportunities. But *Candy Industry's* exclusive Internet survey of 202 companies conducted in September shows that processors are watching their packaging pennies more closely.

A fourth of processors are considering introducing "on-the-go" convenience packs, such as canisters or plastic cups. That's not surprising, given the successful introduction of cups for *M&Ms* and *Reese's Pieces*. Designed to fit in car cupholders, these products follow similar successes in snacks by Frito-Lay and Nabisco. They address the need for convenience, "the No.1 trend in packaging," notes Dan Kearny, director of marketing for Milprint in Oshkosh, Wis.

These cups capitalize on the impulse appeal of full-body shrink sleeves, which "may be the biggest single growth area for packaging in 2004," Kearny continues. But it comes at a cost: "the consumer feels the product is over packaged," he adds. Thus Milprint is developing a flexible stand-up pouch to fit in a cupholder that would also be less expensive.

A key component of successful convenience is recloseability. For a stand-up pouch, a zipper is an excellent choice, but the Easy Snap division of Dobby is now offering a more eco-

*Candy Industry's annual survey of packaging practices highlights opportunities in convenience and productivity in a mixed economic environment.*

*By Huston Keith*

nomic alternative that consumers in focus groups really liked, claims Mary Liz Cahill, national accounts manager. The Easy Snap fastener is formed inline from strips of a proprietary reinforcing plastic previously applied in-line to the pouch stock. The pouch can be reclosed easily and securely with a reassuring "snap."

Even a provider of premium boxed chocolates sees opportunity in convenience cups. Morley Brands is seeking a clamshell container of the right size and design for a large retail private label customer, notes Diane Lynch, the company's marketing manager.

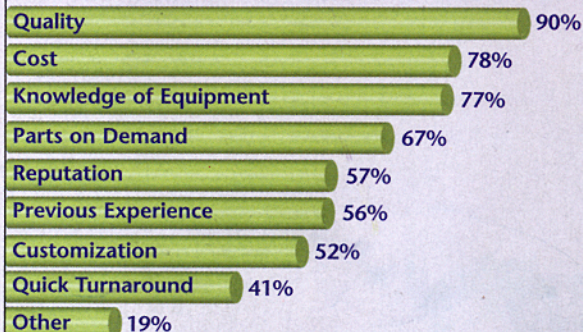
### PACKAGING PLANS IN NEXT 12 MONTHS

Design new graphics	63%
Purchase new packaging equipment	49%
Change material suppliers	39%

### TOP THREE REASONS FOR PURCHASING NEW PACKAGING EQUIPMENT

	First reason	Second reason	Third reason
New product line	30%	14%	13%
Cut costs	17%	17%	19%
Additional volume	16%	24%	16%
Replacement	15%	9%	11%
Automate	12%	15%	20%
Improve quality	12%	17%	21%

### IMPORTANT FACTORS IN SELECTING EQUIPMENT SUPPLIER





## PACK CHOICES PROLIFERATE

About 40% of candy processors involve packaging material and equipment vendors in the development stage, while another 24% seek their assistance halfway through the process. Only one in six waits to the end, perhaps because materials and equipment are expected to be available in a median time of four and eight weeks, respectively. But stock materials and equipment, parts and repeat orders of custom materials are expected to arrive within seven days or less.

Lead time is also important to coordinating the changeover of graphics, especially for new products, says Kris Jacobs, v.p., Econatural Solutions, a Boulder, Colo.-based producer of organic, allergen-free candies. Determining demand for new products is especially tricky for small companies, partially to obtain the best price for supplies and to make sure production matches demand.

Another reason for involving vendors early is to take advantage of the best technologies offered. For instance, according to Jim Connors, director of sales & marketing, Bosch Packaging Technology of Bridgman, Mich., now offers a high-speed continuous motion SVE 2510DR vertical form/fill/seal machine that can produce popular doyen style stand-up pouches at 100 pouches per minute, nearly twice as fast as intermittent motion units. It also promises to reduce costs 40-50% when compared to traditional horizontal machinery. Optionally, it can also produce a four-corner seal for a space-saving cube design.

Processors also want packages that are easy to open without the use of scissors or teeth, Kearny notes. Milprint's *IntegraDirect* technology provides tear initiation and tear direction properties right into the films to make packages tear open easily and neatly.

Hard candy can now be double twist-wrapped at a breathtaking 2,300 pieces per minute with a newly introduced machine from Theegarten Pactec. After a six-month trial at a German candy maker, the machine will be displayed at Pack Expo, then will be placed in the plant of a prominent North American hard candy manufacturer. Soon lollipops will be wrapped at higher speeds, with a new machine to be displayed at Interpack in May.

To help make twist wrap more competitive, Kearny says Milprint is now offering Tornado, a proprietary polymer film with properties similar to cellophane, but at a cost close to polypropylene. For environmentally conscious customers, a biodegradable version is available.

Will these new products stem the trend away from twist to flow wrap for efficiency? Either way Innovia Films (formerly UCB), Smyrna, Ga., is prepared. Not only has it expanded its line of premium cellophane films to include biodegradable Natureflex, but it also offers the fastest BOPP heat seal film in the market capable of running up to 330 feet per minute.

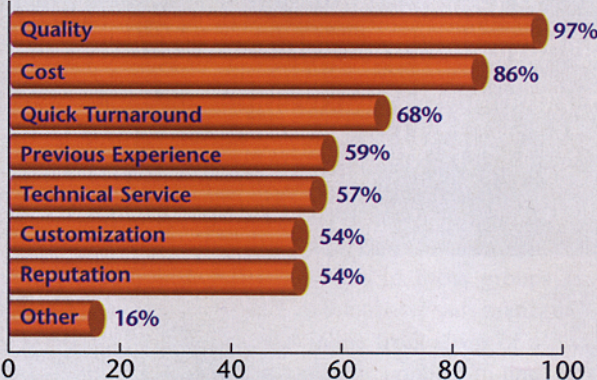
## NEW PRODUCTS SPUR PURCHASING

The primary reason for purchasing new packaging equipment comes down to new products. Other key reasons include addi-

## EQUIPMENT USAGE AND PURCHASE PLANS IN NEXT 12 MONTHS

	In use	Plan to buy
Case sealing	63%	10%
Stretch wrapping	56%	12%
Vertical form/fill/seal	56%	18%
Overwrapping	55%	12%
Flow wrapping	55%	16%
Box forming	40%	20%
Other equipment	39%	14%
Twist wrapping	33%	10%
Palletizing	31%	11%
Case packing	30%	21%
Specialty wrapping	28%	8%
Bunch wrapping	21%	4%
Robotics for product unloading	19%	8%
Robotics for packing	17%	8%

## IMPORTANT FACTORS IN SELECTING MATERIALS VENDORS



## DURABILITY OF PACKAGING FEATURES

	Essential	Very Desirable
Easy to maintain	53%	39%
Quick changeover	50%	35%
Easy to clean	50%	42%
Off-the-shelf components & parts	41%	41%
Flexibility in starting/stopping	41%	41%
Flexibility in products packed	40%	49%
User-friendly control interface	34%	51%
Flexibility in pack styles	25%	59%
Higher speed	25%	47%
Production data tracking/recording	24%	43%
Variable speed control	23%	53%
PC-based computerized controls	20%	50%
Remote troubleshooting & diagnostics	18%	43%
Changeovers without tools	15%	62%
Modular design	12%	44%
Other	11%	15%

tional volume, cost reduction, and replacement. For both equipment and material, quality is the most important reason for selection, followed by cost. Quick turnover is third for materials, while knowledge is third for equipment.

But each manufacturer has its own priorities. Steven Jansky,

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purchasing manager for Farley's & Sathers', Des Plaines, Ill., plant, points out that paying a little more for quality often provides long-term savings in better productivity and fewer defects.



To produce its new caramel filled kisses, Hershey engaged equipment supplier Theegarten Pactec to develop custom tooling for its exclusive kiss shape on a continuous motion wrapper, according to Ron E. Kehle, president of Stamford, Conn.-based Miltenberg & Samton, the company's North American sales agent. Hershey now owns the exclusive right to use this equipment for kiss-type candies.

Features that make overall operation easier are deemed more essential than others. Half say easy to clean, easy to maintain and quick changeovers are essential. About 40% need off-the-shelf components, flexibility in starting/stopping and flexibility in products packed. As Jansky notes, his machines must change bag sizes often, in a range of 0.6 to 17 lbs.

About half plan to buy packaging equipment in the next 12 months, down from 60% who planned to do so in 2003. Specifically, intentions are lower to buy case sealing (10% versus 22%), vertical form-fill-seal (18 versus 29%), overwrapping (12% versus 27%), flow wrapping (16% versus 25%) equipment. Kehle indicates that purchases of equipment are off across the industry.

With packaging costs averaging 20% of production costs (15% median), and 56% of producers saying packaging costs increased last year, the industry continues to seek cost reductions. One technique involves the use of a monoweb instead of a lamination, states Federico Giacobbe, product manager, White Opaque Films for ExxonMobil. To attain needed print quality, converters use techniques such as electron beam curing and films such as Oppalylte HM with high surface energy or high barrier MWHB.

Despite industrywide sales in 2003 being up 3.7% in pounds and 5.7% in dollars, processors have been cutting costs. Jansky indicates that Farley's and Sathers has consoli-

## AVERAGE & MEDIAN LEAD TIMES

	Average	Median
<b>MATERIALS</b>		
Weeks for custom print, first-time order	5.03	4
Days for a custom print, subsequent order	10.64	7
Days for unprinted materials, first-time order	9.87	7
Days for unprinted materials, subsequent order	6.58	5
Days for stock materials	7.65	3
<b>EQUIPMENT</b>		
Weeks for equipment with custom features	9.73	8
Days for stock equipment	11.49	7
Days for parts	5.66	3

## REASONS FOR UPDATING GRAPHICS

New look	51%
Marketing	16%
Labeling regulations	16%
New products	15%
New company/owner	5%
All other	1%

## IMPORTANT CONCERNS IN DEVELOPING NEW PACKAGING

Production cost	84%
Shelf appeal	83%
Machinability	52%
Transportation	20%
Recycling	17%

## DEGREE OF AUTOMATION

	Automated				Manual
	5	4	3	2	1
Wrapping	30%	21%	17%	3%	23%
Product loading	12%	16%	22%	11%	34%
Boxing	12%	16%	21%	6%	40%
Case Packaging	10%	15%	16%	9%	44%

Scale: 5 represents completely automated, 4 partly automated, 3 half automated, half manual, 2, mostly manual, and 1 completely manual.

## LIKELY TO AUTOMATE

	Very or Somewhat likely
Wrapping	57%
Boxing	49%
Product loading	48%
Case packing	42%

dated production and closed two plants, despite increasing sales. Some products were outsourced, although the survey indicates a lower usage of other companies to pack products. (31% versus 43% in 2003). Many observers say companies are re-focusing on core product lines and increasing productivity on existing lines.

## GRAPHICS CHANGING LESS

While three-fourths said they revised graphics in the past three years, it was fewer than the 83% who made revisions in the 2003 survey. However, two thirds plan to revise graphics

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within the next 12 months. While use of an outside design firm dominates, it has declined from 2003 (62% versus 73%), with a corresponding increase in in-house design (55% versus 42%)

Perhaps cost pressures are leading processors to reduce graphic changes and bring work inside. Gorant Candies of Youngstown, Ohio, certainly finds it more cost-effective as well as convenient to use parent company American Greetings' extensive internal capabilities for its current revisions. The premium boxed chocolate manufacturer also saves money by using easily removable film overwrap sleeves for seasonal offerings, notes Jack Peluse, Gorant's director of manufacturing & distribution. Its production and graphic capabilities also support its growing private & premium label businesses, he adds

Shelf appeal and production cost are the most important concerns in developing new packaging for most processors. However, sometimes processors will pay more for graphics appeal, says Innovia's Laing, noting some recent switches from cheaper wax paper to its sparkling, high-gloss cellophane. Econatural is one of the few saying recycling is important, says Jacobs, using recycled materials wherever possible.

Creating eye-catching graphics are becoming progressively more difficult due to regulatory requirements, asserts Jansky of Farley's & Sathers. The back of the a candy bag is now completely devoted to nutritional and ingredient labeling required by the Food and Drug Administration.

Sometimes established products like the Hershey chocolate bars need to refresh their shelf appeal. Plus Hershey gained tamper evidence by replacing its traditional folded/foil/paper wrap with a laminate from Oshkosh, Wis.-based Curwood using ExxonMobil OPP.

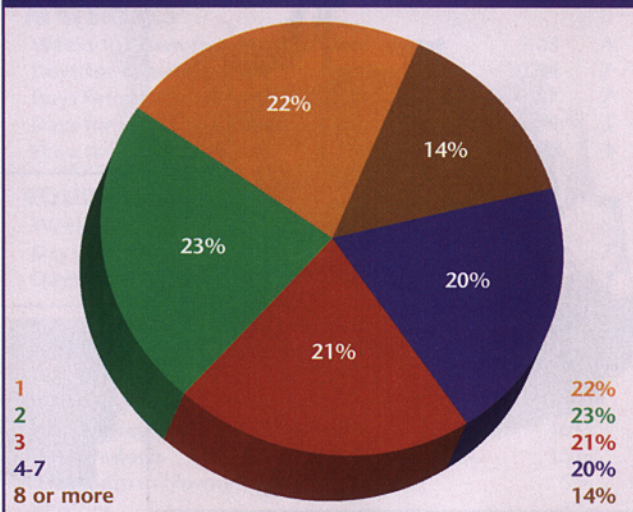
Processors are split on preferred printing processes, with a quarter each choosing flexography and offset, followed closely by rotogravure and lithography. While the majority select higher quality as the primary reason for selection, lower overall costs, flexibility for short runs and shorter lead times are each important for a third and lower initial costs for a quarter.

To address lead time and turnaround needs with high quality, many converters are adding digital printing capabilities. Bryce Corp. sees significant increases in digital photopolymer plates, says Mark Montsinger, v.p., research & development, helping better meet higher demand for promotional packages. Bryce also offers a unique extrusion laminated bar wrap with cold seal for better appearance and productivity.

Unique packages providing new convenience and consumption opportunities are at the forefront of the candy industry. But candy processors are being selective about changing graphics to stimulate sales and investing in new equipment, focusing more on higher productivity. ☺

*Huston Keith is principal of Keymark Associates in Marietta, Ga., a market research and business development firm.*

## NUMBER OF GRAPHICS UPDATED IN LAST 5 YEARS



## PACKAGING COST CHANGE IN LAST 12 MONTHS

