The future of packaging – dare to be different!
Jari Latvanen, Consumer Board division, Stora Enso
What I learned from my FMCG years
Times are challenging…

- Lower consumer confidence
- Down trading within FMCG
- National brands focus on short term marketing promotions without effects
- Private labels increase pressure
- Trade marketing focusing mainly on price
- E-commerce push pressure on traditional sales channels
- Consumers are engaged, well-traveled and trying to eat ethically and in a healthy way
It has never been more challenging to build strong brands
Because the consumer has more control

Recommendations and word-of-mouth influence approximately 50% of the purchase decision

Brands are more and more expected to behave like people, forget about one-way communication - it’s all about the three C:s:

- Conversation
- Collaboration
- Co-creation

Source: The Future Laboratory
How do we work across the value chain, who really understand consumers?
Making sense in the consumer trend jungle
Understanding megatrends to better understand future opportunities

Megatrends will shape the way consumers think and act — around packaging too.

Many megatrends are old, but constantly changing in nature.
Consumers shape how we develop our businesses.
The key to future success is understanding what matters to consumers.
We know packaging matters to consumers.
Looking through 4 lenses
To understand yesterday, today and tomorrow
Emerging trends significantly influence consumer behavior

**Attitudes**

**INDIVIDUALISM**
"I am an individual, treat me that way"

**I WANT CONTROL**
"I receive messages when I want them and from whom I want"

**I DO NOT TRUST MARKETERS**
"I only trust the people close to me"

**Behaviors**

**Source credibility** are driving consumers away from marketers to more trusted sources for product/brand information, e.g., friends and family, other consumers.

Less time spent per medium, but an increase in overall media consumption, e.g., multi-tasking.

Consumers are increasingly taking control over messages they wish to receive, e.g., Internet search, opt-in/out.

Source: The Future Laboratory
Consumers want more transparency in packaging
But does that mean transparent packaging?
Main factors impacting our future demand
Capturing opportunities – addressing challenges

- Consumers are more aware, more active and more influential
- Brand owners are more sophisticated in their race for consumers’ attention
- Packaging demand is growing well
- Oversupply disturbs global demand-supply balance in some commodity board grades
- Plastics are taking market shares

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**Packaging materials consumption**

<table>
<thead>
<tr>
<th>Material</th>
<th>2013</th>
<th>2018</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>37,782</td>
<td>38,703</td>
<td>0.5%</td>
</tr>
<tr>
<td>Glass</td>
<td>57,293</td>
<td>67,734</td>
<td>3.4%</td>
</tr>
<tr>
<td>Metal</td>
<td>111,588</td>
<td>126,469</td>
<td>2.5%</td>
</tr>
<tr>
<td>Board</td>
<td>243,404</td>
<td>301,013</td>
<td>4.3%</td>
</tr>
<tr>
<td>Rigid plastic</td>
<td>175,071</td>
<td>226,129</td>
<td>5.3%</td>
</tr>
<tr>
<td>Flexible paper</td>
<td>41,427</td>
<td>50,443</td>
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</tr>
<tr>
<td>Flexible foil</td>
<td>12,363</td>
<td>14,353</td>
<td>3.0%</td>
</tr>
<tr>
<td>Flexible plastics</td>
<td>118,178</td>
<td>149,697</td>
<td>4.8%</td>
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</tbody>
</table>

Source: SmithersPIRA

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- **Cartonboard demand 2000-2020** (1,000 tonnes)

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2013</th>
<th>2020</th>
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<tbody>
<tr>
<td></td>
<td>9,751</td>
<td>10,175</td>
<td>11,552</td>
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</table>

Source: Pöyry Management Consulting

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- **FBB – China**

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2013</th>
<th>2020</th>
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<tbody>
<tr>
<td></td>
<td>7,611</td>
<td>10,507</td>
<td>12,992</td>
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Source: Pöyry Management Consulting

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- **FBB – Europe**

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<tbody>
<tr>
<td>Capacity</td>
<td>434</td>
<td>608</td>
<td>760</td>
<td>9,751</td>
<td>9,069</td>
<td>9,307</td>
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<tr>
<td>Demand</td>
<td>1,592</td>
<td>2,644</td>
<td>3,261</td>
<td>175,071</td>
<td>243,404</td>
<td>301,013</td>
<td>0</td>
<td>2020</td>
</tr>
<tr>
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<td>5.3%</td>
<td>4.8%</td>
<td>4.0%</td>
<td>3.0%</td>
<td>2.5%</td>
<td>1.8%</td>
<td>0%</td>
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- **Flexible plastics**

<table>
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<th>CAGR</th>
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Source: SmithersPIRA
Packaging is the most important media!

Remind me, why was it I should choose you...?
Three things packaging must do:

1. Stop the consumer
2. Hold the consumer’s attention
3. Close the deal
Running faster is only valuable if the direction is right

Who + Where = What

<table>
<thead>
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<th>WHO TO INNOVATE FOR</th>
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<tr>
<td>CARING PROVIDERS</td>
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<td>CONVENIENCE FOODIES</td>
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<td>HEALTHY PROVIDERS</td>
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<td>FOOD AS FUEL</td>
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<tr>
<td>FOOD LOVERS</td>
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WHERE TO INNOVATE

INNOVATION
Consumers prefer board packaging
Functionality must be addressed as plastics expected to have higher growth rate

“What is your attitude towards the following packaging materials?”

- Paperboard: 62%
- Glass: 61%
- Wood: 47%
- Metal: 46%
- Aluminium: 43%
- Plastic: 55%

70% positive

“What type of packaging do you think is the most environmentally friendly?”

- Paperboard: 55%
- Glass: 19%
- Plastic: 10%
- Wood: 8%
- Don’t know: 4%
- Aluminium: 3%
- Metal: 2%

Source: Stora Enso Consumer Board consumer survey 2014

Premium perception
However, people **SAY** one thing but **DO** another!
Innovation
Why innovation?

- Drive differentiation
- Create value
- Generate growth

“Innovation distinguishes between a leader and a follower.”

Steve Jobs
Relevance + Differentiation = Increased value
Innovation key to becoming packaging industry leader
Building value through relevance and differentiation in materials and services

Key innovation areas:
- MFC source reduction
- Barrier coating
- Intelligent packaging
- New integrated way of working (product management, TCS and R&D)

360° approach to successful innovation

COMMUNICATION
HOW TO SELL
DIGITAL
CHANNELS
PRODUCT
WHAT TO SELL
PACKAGE
SERVICES

Example: using intelligent packaging to take advantage of consumers' interest in information.
Successful innovation starts with the user of packaging
Our innovation focus areas

MFC  Bio barriers  Intelligent packaging
The board is the future, the future is now!