



# REPORT & ANALYSIS: THE EUROPEAN NARROW WEB MARKET

Dear Members of FINAT,

It is my great pleasure to introduce to you the first edition of a new, exclusive service to FINAT Members: the FINAT RADAR!

The FINAT RADAR, which has been commissioned to market research agency LPC, will provide you with a convenient and up to date 'radar screen' to monitor trends and developments relevant to the European label and narrow web business. Each edition of the report will carry the results of a number of parallel surveys covering different segments of our industry's value chain.

Core of the report will be the state of business in label conversion, and for this purpose an online survey has been carried out among converter members. I am pleased that immediately at this first occasion so many converters have taken the effort to complete the survey, thereby enhancing the report's authority.

Parallel to the converter survey, LPC conducted a survey among a representative sample group of brand owners and end-users of labels and narrow web solutions.

Additionally, each report will contain an overview of trends and developments per region in the demand for self-adhesive materials as well as equipment installations, as indicators of consumption and investment inside the industry. Finally, the closing chapter of the RADAR will always be dedicated to a topic of special interest, and in the case of this first edition I am pleased that we are able to compare notes with our industry's counterparts from across the Atlantic.

Just like in aviation and maritime shipping, the FINAT RADAR thus offers you a full 360° scan of the industry and its markets.

At this occasion I would like to specially thank the members of the Industry Trends Subcommittee chaired by Ferdi Rüesch, co-chaired by Karl Fust and supported by our Managing Director Jules Lejeune. Together with the other members of the subcommittee, they spent a huge amount of effort in putting together a Request for Proposal to selected agencies, comparing the proposals, creating a special brand for this service, briefing the agency, putting together the format for the questionnaires and finally making enough noise to maximize the response to the surveys.

I wish you informative reading of the first FINAT RADAR!

Best regards,  
Kurt Walker  
FINAT President

Scope of the Report ..... 2

## SECTION 1: FINAT Converter Viewpoint

Converter Sales Growth and Profit Data ..... 4  
Converter Growth per End-Use Category ..... 6  
Converter Run Sizes per End-Use Sector ..... 7  
Converters' Capital Equipment Procurement Projections ..... 8

## SECTION 2: Brand Owner Viewpoint

Converter Growth vs. Label Sourcing Growth Projections ..... 10  
The 'One-Stop-Shop' Advantage ..... 11  
Perception of Environmental Certification ..... 12  
Green Label Constructions ..... 13  
Label Sourcing Challenges for Brand Owners ..... 14  
Perception/Growth of Shrink Sleeves ..... 15  
Sourcing Shifts from Western Europe to Other Regions ..... 16  
Trends per End-Use Sector ..... 18  
Brand Owner/Packaging Buyer Key Findings ..... 19

## SECTION 3: Labelstock Growth

Year-over-Year Growth per European Region for Paper and Film Roll Labelstocks ..... 20

## SECTION 4: Conventional Press Sales

Quarter-over-Quarter Volume Sales for Conventional Presses in Europe ..... 21

## SECTION 5: Benchmarking European Data Against U.S. Data

2013 Growth per Region ..... 22  
2014 Projected Growth Per Region ..... 23  
Environmental Certification: Europe vs. U.S. .... 24  
Green Label Constructions: Europe vs. U.S. .... 25  
Label Sourcing Challenges for Brand Owners: Europe vs. U.S. .... 26

Researched and compiled by LPC, Inc.



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## SCOPE OF THE REPORT

How does one gauge the health of an industry? That is a question every association ponders when trying to develop tools and resources for its membership. Every industry has a defined set of characteristics and metrics that can be measured and benchmarked in order to define growth trajectories or periods of decline.

In the European narrow web industry, the metrics that are the most useful in analyzing the market's movements include converter sales and profits, brand owner procurement volumes, labelstock sales volumes and new press installations. FINAT RADAR will present findings that include all of these areas on a half-yearly basis so that the association's converter and supplier members can have current trending data at their fingertips, in addition to benchmarking metrics that allows them to gauge their own performance against their peers across the continent, and within their own European region.

Two extensive quantitative surveys were the foundation for much of the analysis in the report. Those include a Converter Survey that was distributed to FINAT converter members in every European region; and a Brand Owner/Packaging Buyer Survey, distributed to label sourcing executives at companies in each of the major end-use sectors. The response rates for both surveys were excellent, and the FINAT Secretariat and industry market research firm LPC, Inc. would like to thank all of the member companies that filled out a detailed survey.

In addition to gathering information from FINAT converters and industry brand owners, both FINAT labelstock supplier and conventional press manufacturer member companies participated in an analysis targeted at each market niche. The labelstock supplier data is extracted from the FINAT Labelstock Report and for the first time, a synopsis of this data is being made available to the association's general membership. While the Labelstock Report is granular in nature and asks material manufacturers to submit data on a country-by-country basis, for this report data was aggregated per region so that quarter-over-quarter growth and contraction rates for both paper and film labelstocks could be presented in a regional format.

As with the association's labelstock suppliers, FINAT's press manufacturer members (representing over 95% of total press sales into the European market) were asked to submit quarterly installation data in order to track movement in conventional press sales on a quarterly basis. In the future, it is the hope of the association that in addition to a Conventional Press Index, FINAT RADAR will also feature a Digital Press Index.

The FINAT Secretariat and the association's Board would like to express their gratitude to labelstock and conventional press member companies for submitting their data and for providing a critical role in the ultimate success of this report.

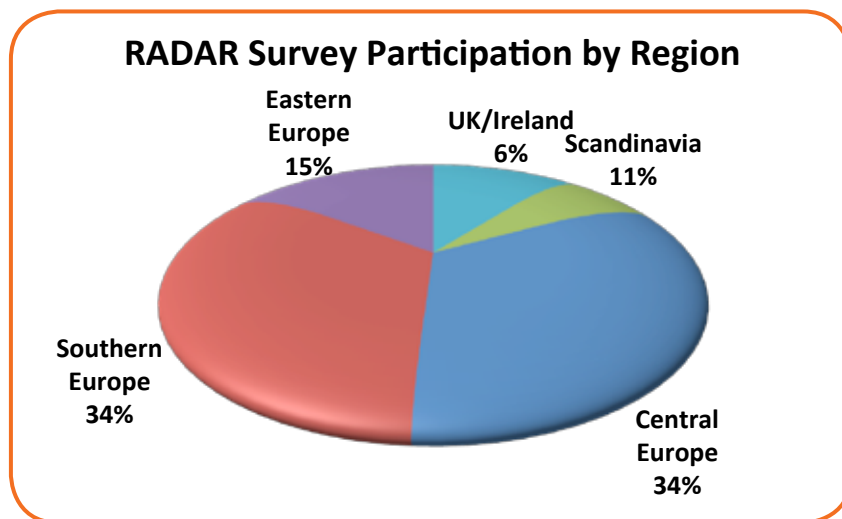
There is a special section in this, the debut edition, of FINAT RADAR. Section 4 of the report benchmarks European data against metrics obtained from the market in the United States. The FINAT Board made this section a high priority, as member companies have repeatedly expressed an interest in having European market data that is presented in conjunction with the same data obtained from the American marketplace. As was the process in Europe, U.S. narrow web converters and brand owners were sent a specific set of questions that replicated those within the European surveys in order to provide our members with the opportunity to have a side-by-side analysis of both markets. We would like to thank our U.S.-based sister association, TLMI, for sharing this data with us and making it available to FINAT members.

## FINAT CONVERTER VIEWPOINT

### Growth, Challenges and Opportunities

More than 50 FINAT member converter companies filled out detailed surveys for the compilation of the first edition of the RADAR. The goal of the first RADAR survey was to put in place a series of questions that will be asked on a half-yearly basis. The accumulation of this data will allow certain aspects of the market to be tracked and analyzed in order to provide a resource for FINAT members that is continuously defining, and analyzing, the European narrow web market.

Each converter participant was asked to indicate the region in which their factory is located. If a participant's company headquarters was in another region, the participant was asked to answer the questions in the survey as only applicable to the factory in which they worked. The objective in asking the question in this manner was to ensure the data contained in each survey was only relevant to a particular European region. The graph below indicates a geographic breakdown for all FINAT Converter Survey respondents.

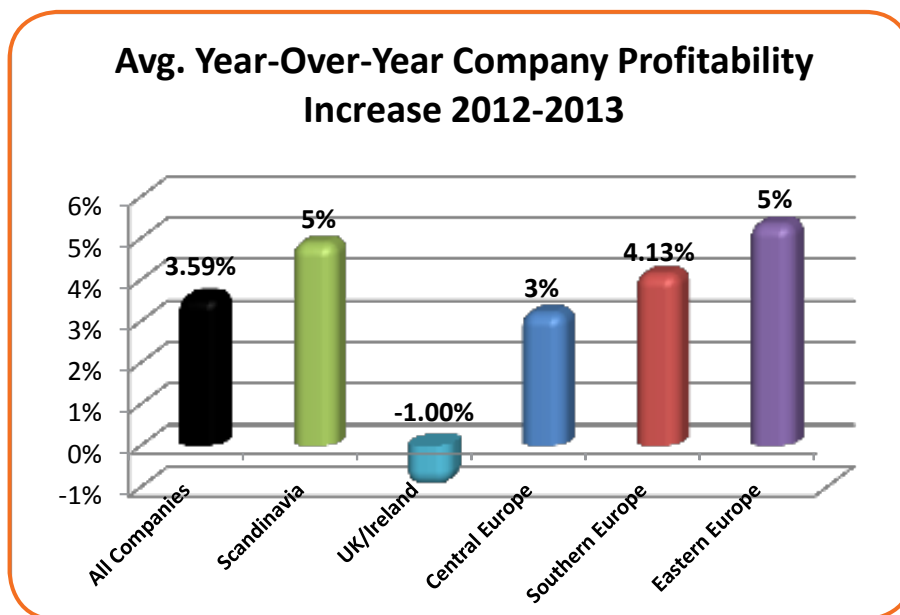
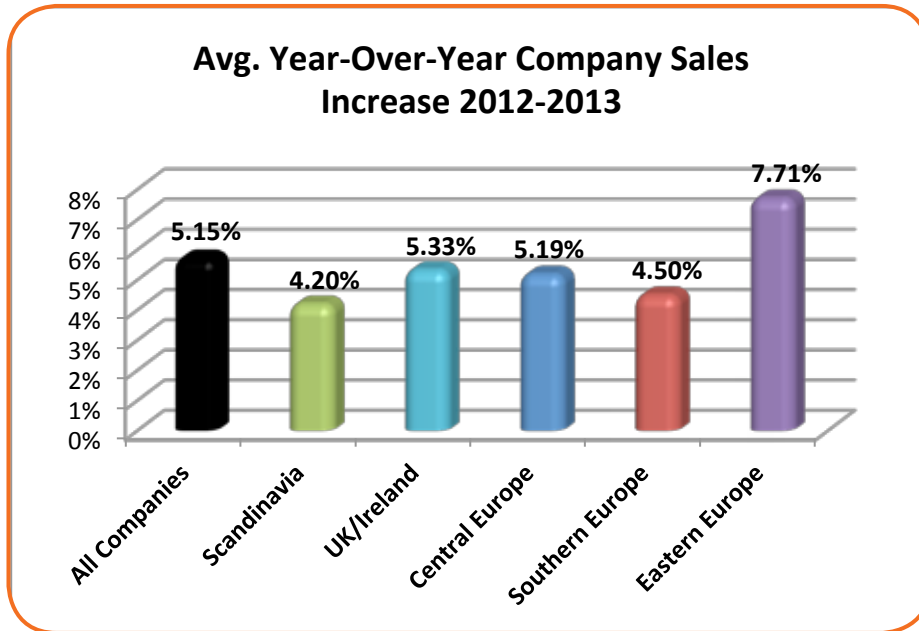


Survey participants indicated their location as per the following regional definitions:

- **Scandinavia:** Sweden, Norway, Denmark, Finland and Iceland
- **UK/Ireland:** England, North Ireland, Scotland, Wales and Ireland
- **Central Europe:** Germany, Austria, Switzerland, Netherlands, Belgium and Luxembourg
- **Southern Europe:** France, Italy, Spain, Portugal, Greece, Turkey and Cyprus
- **Eastern Europe:** Russia, Poland, Czech Republic, Slovakia, Bulgaria, Hungary, Romania, Ukraine, Belarus, Moldova, Estonia, Latvia, Lithuania, Slovenia, Croatia, Bosnia and Herzegovina, Macedonia, Montenegro and Serbia

## Year-Over-Year Sales and Profit Growth: 2012-2013

In order to gauge the overall performance of converting companies in 2013, survey respondents were asked to report on both year-over-year sales and year-over-year profitability growth and/or contraction rates. The two graphs that follow indicate average converter sales and profitability rates per major European region.



With the exception of Scandinavia, converters' year-over-years sales increases are greater than increases in profits for 2013. When this occurs in the narrow web industry, it is primarily a result of two market forces: increases in variable costs and/or increased pricing pressures from packaging buyers.

Data collected from converters for this report indicate that raw material pricing has not been a driver for the decline in profit margins. In fact, converters reported lower volatility in the pricing of raw materials. Within the past three months, raw material prices have increased for just 7% of surveyed converters across Europe. Raw material pricing has stayed the same for 72% of converters and prices have actually decreased for 22% of FINAT surveyed converter members. This analysis indicates that the profit erosion converters are reporting in nearly every major European region is a result of pricing pressures from their customers, and a market in which price erosion due to increased competition is a persistent reality.

Converters project even less volatility for the coming months. Surveyed companies were asked to predict raw material price volatility and only 2% of polled converters expect their raw material prices to rise over the next quarter while 84% of companies surveyed predict pricing will remain the same.

The FINAT RADAR will continue to gauge raw material pricing and converter projections moving forward. In a market where volatility is occurring due to natural resource shortages and supplier consolidation, price spikes in supply areas are an inevitable force that will impact the strategies of both European narrow web converters, and their raw material suppliers.

## Converter Revenue Growth per End-Use Category: 2013

Defining historical and projected growth rates in each end-use category can be challenging. In order to do so, converting companies must divulge revenue growth performance in the sectors they supply labels to, in addition to predicting what their growth rates will be within each sector for the near future.

The RADAR Converter Survey asked participating converters to indicate revenue growth, or contraction, for the top five end-use sectors each company serves. Obtaining the data in this manner enables an analysis based upon market information that is reflective of real growth and contraction rates in each category.

The table below shows average converter growth per end-use category for 2013, in addition to converters' projections for 2014.

Average FINAT Converter Growth Rates per End-Use Category 2013 & Projected Growth Rates for 2014		
End-Use Category	Average Converter Growth Rate: 2013	Average Projected Growth Rate: 2014
Food	3.94%	4.88%
Beverage	1.92%	4.17%
Personal Care/Cosmetics	2.92%	4.06%
Pharmaceuticals	1.83%	3.39%
Household Chemicals	2.43%	2.75%
Industrial Chemicals	1.84%	3.08%
Retail	-0.21%	3.76%
Automotive	1.33%	1.13%
Consumer Durables (includes electronics)	1.09%	2.21%
Office Products	-0.73%	-0.10%
Transport/Logistics	0.26%	2.21%

Source: LPC, Inc. FINAT RADAR  
*\*Data taken from FINAT converters located in every major European region*

Converters reported highest growth rates came from the food sector in 2013, and this sector is projected to continue to deliver highest growth through 2014. The packaged food sector throughout Europe has proven to be a resilient one. The sector's primary drivers of health, convenience and single-serve packaging continue to keep food label volumes steady and converters predict a year-over-year increase of sales volumes into the food sector for 2014. Office products delivered the lowest declines for converters in 2013 and this struggling sector is predicted to be the bottom performer once again in 2014.

## Converter Run Sizes per End-Use Sector

One of the most significant trends impacting the global labeling sector is the steady decline in average run sizes and the European marketplace is no exception. Converters that serve every end-use category report annual declines in the volume of labels that make up a typical order from their customers.

The research methodology employed in surveying FINAT converters for the compilation of the RADAR took run size trending a step further. Every surveyed company was asked to break down their average run sizes by major end-use category they serve. 'Run length' was defined as the size, *in linear meters*, of a finished order that a company sends to their customer after the subtraction of production waste. The table below aggregates respondents' feedback and shows current average European run sizes per end-use sector.

Average FINAT Converter Run Lengths per End-Use Category: Q2 2014	
End-Use Category	Average Run Length in Linear Meters
Food	6,673 l/m
Beverage	13,958 l/m
Personal Care/Cosmetics	4,082 l/m
Pharmaceuticals	2,300 l/m
Household Chemicals	10,025 l/m
Industrial Chemicals	5,987 l/m
Retail	8,832 l/m
Automotive	1,383 l/m
Consumer Durables (includes electronics)	1,580 l/m
Office Products	2,311 l/m
Transport/Logistics	6,173 l/m

Source: LPC, Inc. FINAT RADAR  
*\*Data taken from FINAT converters located in every major European region*

Converters report highest run size lengths for the beverage, household chemicals and retail sectors. Smallest run lengths were reported in the automotive, consumer durables and pharmaceutical markets. The gauging of run lengths per end-use category will be included in every FINAT RADAR Converter Survey moving forward, enabling the report to offer a series of run size indices per end-use sector, tracking average run length shifts on a continuous basis.

## Converters' Capital Procurement Projections: Q3 & Q4 2014

The final question in the Converter Survey asked FINAT European converters to indicate what types of capital equipment investments their companies are planning on making over the course of the next six months. Companies were given the following options to choose from and directed to select all those that apply:

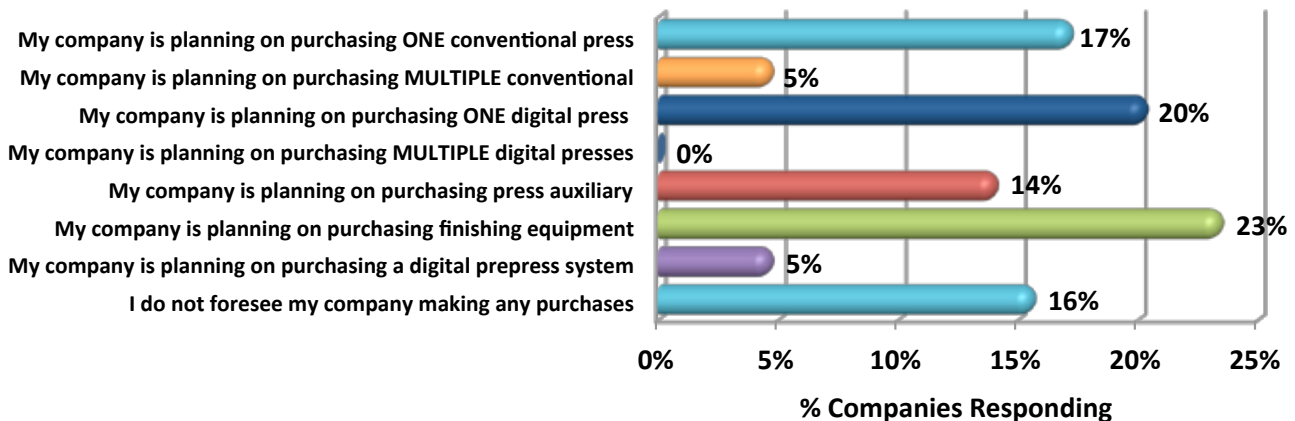
- My company is planning on purchasing ONE conventional (non-digital) printing press within the next 6 months
- My company is planning on purchasing MULTIPLE conventional (non-digital) printing presses within the next 6 months
- My company is planning on purchasing ONE digital press system within the next 6 months
- My company is planning on purchasing MULTIPLE digital press systems within the next 6 months
- My company is planning on purchasing press auxiliary equipment within the next 6 months (turret rewinder, butt splicer, video inspection system, etc.)
- My company is planning on purchasing finishing equipment within the next 6 months
- My company is planning on purchasing a digital prepress system within the next six months
- I do not foresee my company making any major capital equipment purchases within the next 6 months

*(Categories are listed here in full to provide details regarding exactly what types of capital equipment fall within each category.)*

The goal in asking the marketplace this question was to be able to define clear capital equipment purchasing patterns and trends in the European marketplace, in addition to benchmarking European capital procurement trends against those of North American converters. Data from both regions can be found in pages 21-26 of this report.

The chart below shows the procurement projections of FINAT European converters over the next six months:

### Converters' Capital Equipment Purchasing Projections: Q3 & Q4 2014





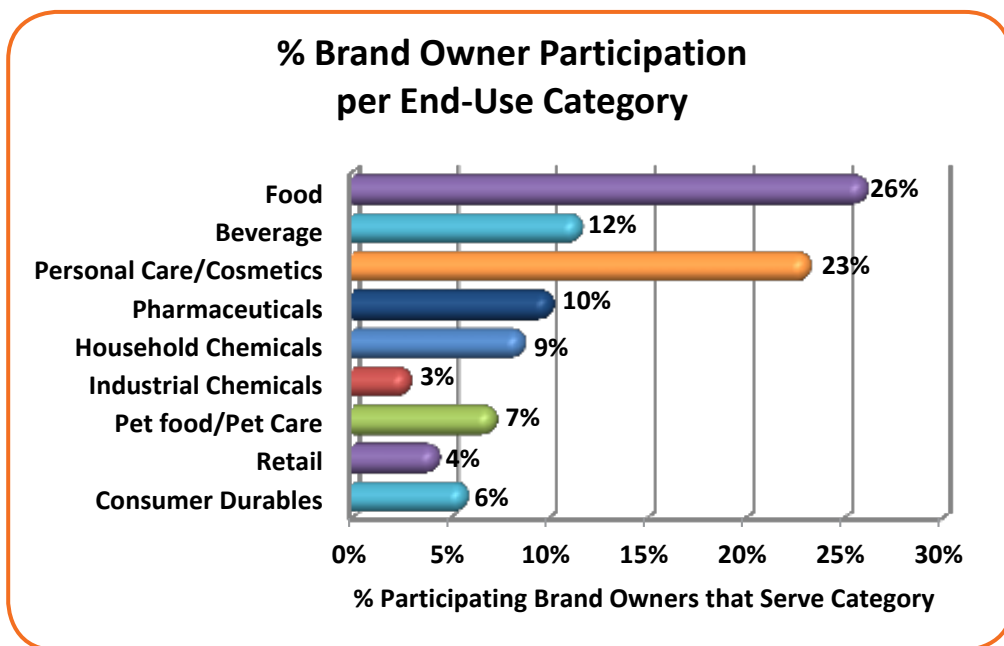
## BRAND OWNER VIEWPOINT

### Label Procurement Growth, the One-Stop Packaging Option, Sustainability, Shrink Sleeve Growth and Sourcing Shifts

To effectively capture and report on trends occurring at the brand owner / packaging buyer level, 46 companies were surveyed for this report. Respondents either directly source labels, or influence the label procurement process. Participating brand owner companies include some of the largest consumer packaged goods manufacturers in the European market, in addition to smaller and mid-sized firms that require the application of printed labels for their products.

One of the primary objectives in surveying brand owners for the compilation of the FINAT RADAR is to establish a set of metrics that future surveys can be measured against; thereby creating a range of published indices that will indicate label procurement growth rates, in addition to brand owner trending in areas such as sustainability, retailer pressure and sourcing shifts.

The graph below indicates a breakdown of brand owner participation per end-use sector.



Highest participation came from companies serving the food and personal care/cosmetics categories. Brand owners in the office products and automotive sectors declined participation in the survey.

# SECTION 2

Participating companies were asked to estimate how much their total label procurement volume will increase, or decrease, in 2014. The table below shows average converter growth per end-use category for 2013 and estimated 2014 growth against brand owners' projected procurement increases for 2014.

<b>Historical Converter Growth and 2014 Projections: Converters and Brand Owners – All of Europe</b>			
<b>Average Converter Turnover Growth: 2013 <i>All of Europe</i></b>	<b>Average Converter Turnover Growth <i>per End-Use Category: 2013</i></b>	<b>Average Converter Projected Turnover Growth <i>per End-Use Category: 2014 est.</i></b>	<b>Average Brand Owner Label Procurement Volume Increase: <i>2014 est.</i></b>
5.15%	1.74%	3.08%	3.61%
Source: LPC, Inc. FINAT RADAR			

Average turnover growth for FINAT converters was just over 5% in 2013 and average growth per end-use sector was 1.74%. For 2014, converters are predicting higher growth rates per end-use sector while participating brand owners predict an average label procurement volume increase of 3.61%.

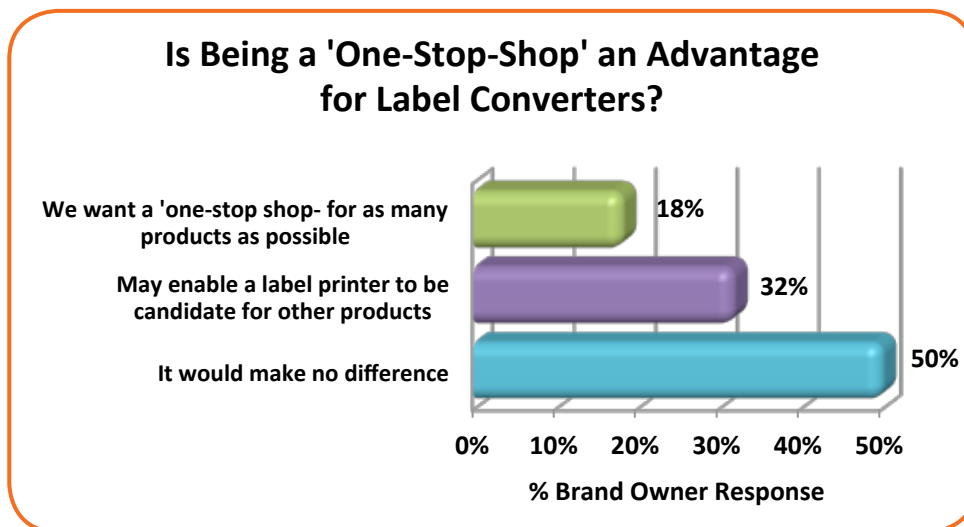
Note: 2013 converter turnover growth is higher than average growth per end-use sector due to the volume of companies reporting 0 and negative values for individual end-use sector growth, whereas the vast majority of companies reported positive overall growth for total turnover.

## Diversifying Application Ranges: Are Brand Owners Seeking a One-Stop Shop?

As converters set a course for future growth, what are the advantages of diversifying beyond traditional label applications and venturing into the narrow web folding carton or flexible packaging sectors? The RADAR Brand Owner Survey probed this dynamic further by gauging brand owners' preference of having printed packaged goods come from one vendor, or if companies were more comfortable with multiple vendors who specialize in their specific application categories. Brand owners were asked to check one answer from the following options:

- We want a 'one-stop shop' for as many printed package products as possible. If our qualified label vendors also manufacture flexible packaging and/or folding carton products then we either already are, or would very seriously consider, having them supply our other application needs other than labels.
- Being a 'one-stop shop' for different package decoration products may enable a label printer to be a candidate to supply other packaging areas, but it's no guarantee.
- Being a 'one-stop shop' would make no difference. We are fine with having label printers supply us with labels and more traditional flexible packaging companies providing us with flexible packaging products. Being a one-stop shop would not make a label printer qualify for other application areas.

The graph below indicates brand owners' responses to this important question.



Brand owner responses indicate a marked difference of opinions when it comes to one-stop shop packaging vendor preferences. Half of all surveyed brand owners clearly cited that having other types of printed packaging offerings (folding cartons and/or flexible packaging) would make no difference in the vendor qualification process. However, the other 50% of brand owners surveyed indicated that it may, or certainly would, make a difference. This data supports the argument that label vendors who branch out into other packaging decoration formats in some cases are, or in other cases may be, at an advantage in the eyes of a substantive number of packaging buyers. This is a worthwhile area for label converters to do their own research, surveying customers and prospects as to the perceived advantages of branching out into other application areas.

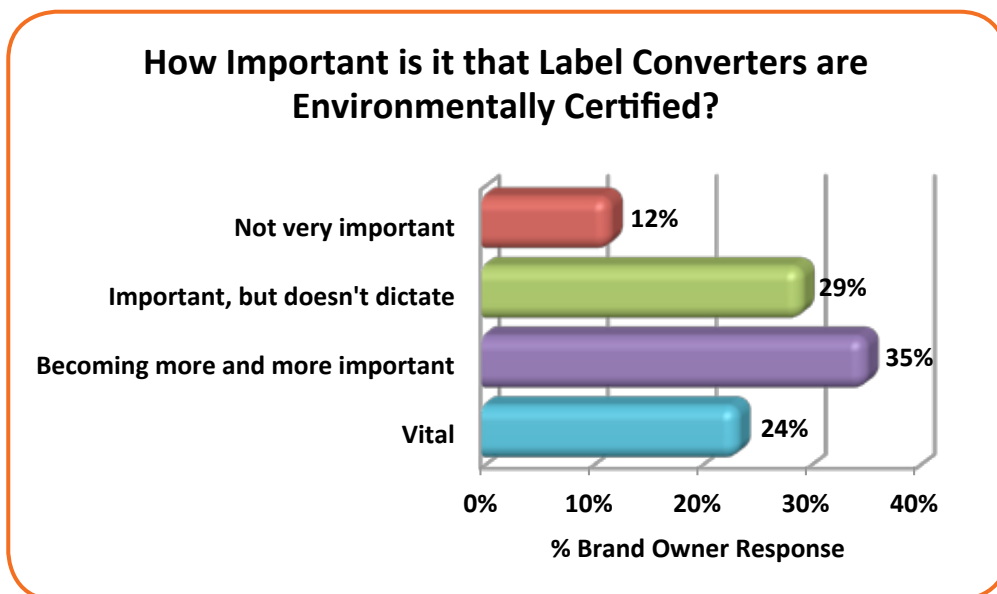
## Sustainability: Pushing Certification Standards through the Supply Chain

The importance of converter environmental certification is growing and the FINAT RADAR will be periodically polling brand owners to find out just how much pressure these companies are placing on their label vendors to integrate a formalized environmental program within their companies. As ISO 14000 and 14001 certifications increase across the European packaging industry, an important question to consider is: *How much of a requirement is it that label suppliers achieve certification in order to be considered as viable vendors for brand owners?*

The Brand Owner Survey asked companies how important it was that their label vendors have some kind of environmental certification. Companies were asked to select one answer from the following:

- It is vital. We only purchase labels from companies that are environmentally certified.
- It's becoming more and more important and I predict that in the near future we will only purchase labels from companies that are environmentally certified.
- It's important but doesn't yet dictate who we do or do not purchase labels from.
- It's not very important to us and does not influence our label vendor selection criteria.

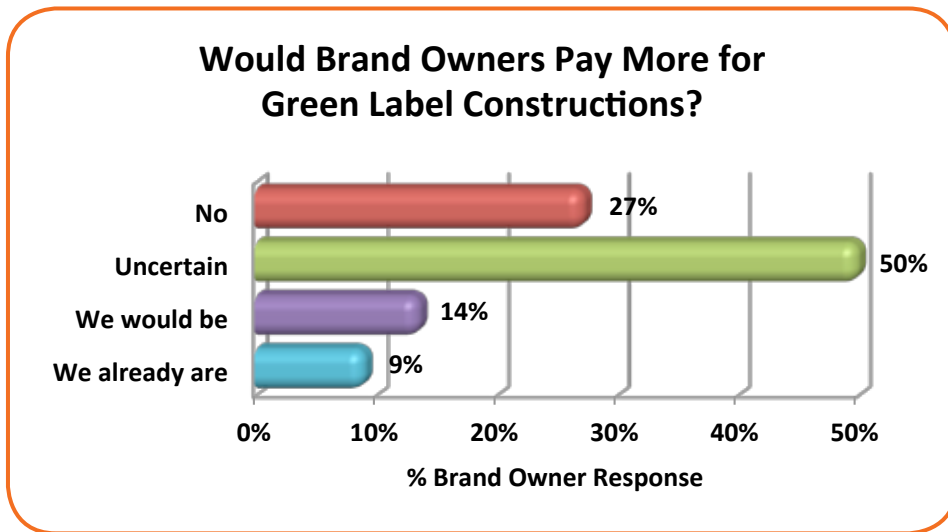
The graph below shows how surveyed brand owners answered this question.



Nearly one in four European brand owners cited that having some type of environmental certification was vital and that they would not consider a label vendor as a potential supplier if the company could not prove compliance. An additional one-third of surveyed companies indicated that their label vendors achieving environmental certification was becoming an increasingly important issue, and that they predict their companies will demand this in the near future.

The percentage of companies that chose these answers demonstrates the increased importance of certification and that green initiatives are once again priorities for the mandates packaging buyers are pushing through the supply chain. It's important to note that the importance of achieving environmental certification was expressed across end-use categories. In the data analysis, environmental certification was not weighted in one or just a few end-use sectors; the importance of certification was cited by companies across categories.

As a follow up to the previous question in the survey, brand owners were asked if their companies were willing to pay a premium for environmentally friendly label constructions. The answers to this question are found in the graph below.



Comparing what brand owners say about purchasing green label constructions versus their desire to have their label vendors achieve environmental certification is an interesting exercise. Consumer packaged goods companies in Europe face tremendous pressure from retailers, more so than in any other global region. Placing demands on their printed label, folding carton and flexible packaging vendors allows these companies to demonstrate compliance to their retailer customers. However, the willingness to pay a premium for greener label materials is a different story.

Fewer than 10% of surveyed brand owners indicated they have already adopted greener, and costlier, label constructions for their products while 14% indicated they would be willing to do so. However, 77% of the total surveyed group were either uncertain about the prospect of paying more for environmentally friendlier labelstock constructions or cited that they would not be willing to pay a premium for these materials.

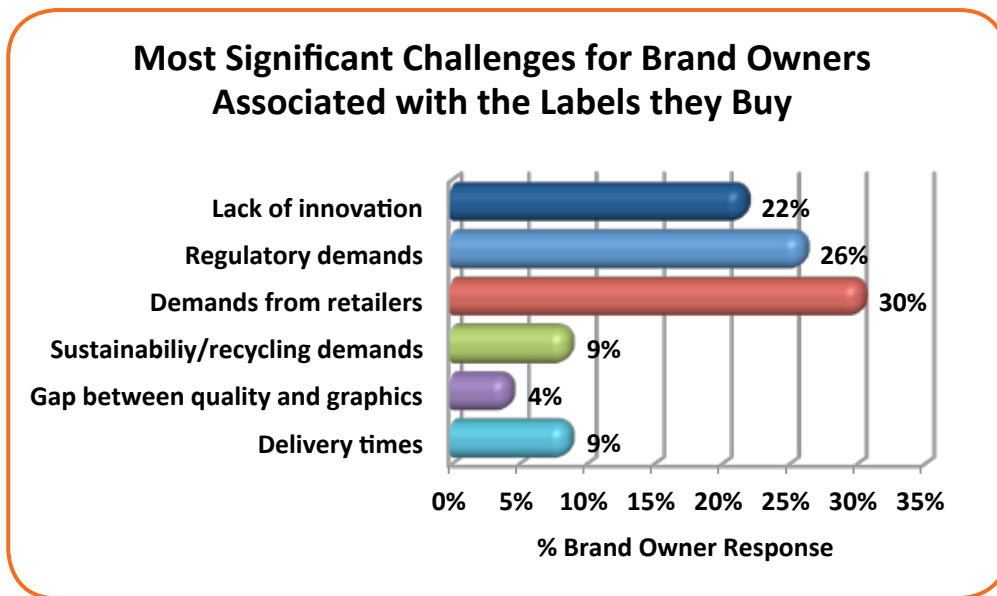
## Most Significant Pain Points for Packaging Buyers In the Sourcing of Labels

The landscape for consumer packaged goods companies and packaging buyers in Europe continues to change at a rapid pace. Rising commodity prices and increased industry consolidation are forcing these companies to fine tune supply chain strategies while continuing to deliver value to discerning consumers.

In order to gauge what brand owners consider their most significant pain points, companies were asked this question in direct relation to the printed labels they purchase. They were asked to choose the one answer that best applies from the following list:

- Delivery times for our labels
- The gap between the quality our label vendors are able to supply and the complex graphics our products demand
- Increasing sustainability and recycling demands
- Increasing demands from retailers (Aldi, Carrefour, Tesco, Metro, etc.)
- Increasing regulatory demands
- Lack of innovation from our label suppliers

The percentage of surveyed companies that chose each option is presented in the graph that follows.



As this data suggests, the major issues for European brand owners in the sourcing of labels comes from external demands – regulatory demands that are constantly shifting and demands from retailers. During an interview, a procurement manager for a multinational food, beverage and personal care company stated, *“We want our printed label suppliers to be more proactive in bringing us innovative solutions, and we want some of these solutions to be brought to us exclusively so that we can take these ideas to our retail customers as a point of differentiation. We want our label suppliers to understand that the more they help us differentiate ourselves in the eyes of our retailer customers, the more loyal we will be to them as a customer and not look elsewhere.”*

## The Continued Rise of Shrink Sleeves As Decoration Alternatives

Shrink sleeve labels remain one of the fastest growing markets for label decoration worldwide. While shrink-labeled PET remains an issue in the recycling stream, consumer packaged goods companies are still pursuing shrink film decoration as a viable alternative for new products, and as a migration technology for products currently being labeled with self-adhesive or wet glue constructions.

While shrink is projected to grow at two to three times the rate of self-adhesive label applications, it's important to note that the market remains a fraction of the size of self-adhesive and wet glue. An objective in compiling the RADAR Brand Owner Survey was to ask participating companies about future decoration strategies and if they plan on migrating any of their products from self-adhesive or wet glue to shrink sleeve labels. Respondents were asked to choose the most applicable option.

The table below indicates packaging buyers' responses.

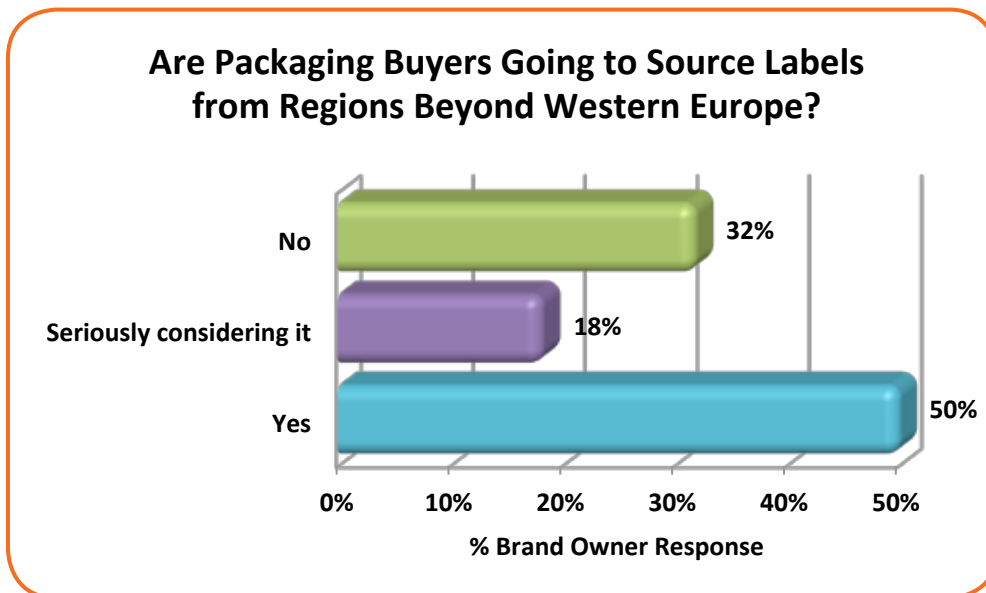
Brand Owners' Sourcing Projections for Shrink Sleeves	
We currently use shrink sleeve labels for some of our products and our usage of shrink sleeves will grow	48%
We currently do not use any shrink sleeve labels for our products however I anticipate us using shrink sleeves over the next -2 years	33%
We currently do not use shrink sleeve labels and I do not foresee us ever using this type of label decoration process	19%
Source: LPC, Inc. FINAT RADAR	

Shrink sleeves are a decoration process more conducive to some end-use categories than others. Companies that responded that they do not currently use shrink sleeves however anticipate using the decoration process for their products primarily serve the food sector. Sectors that indicated a resistance to the technology primarily served the pharmaceutical, household chemicals and pet food sectors.

## Sourcing Labels from Outside of Western Europe

Trade flows for printed labels vary from region to region. This is an industry in which regional supply channels dominate. Brand owners and packaging buyers want their label vendors within a certain proximity of where their products are filled, formed, sealed and labeled. While this dynamic has created an industry predominantly made up of regional supply channels, packaging buyers are still seeking lower-cost alternatives to their traditional label vendors and in some cases are willing to accept slightly longer delivery times to achieve what they perceive will be a cost savings in the labels they buy.

The final questions in the FINAT Brand Owner Survey asked companies about their label sourcing strategies. Packaging buyers were asked if their companies were considering sourcing some, or all, of the labels they currently procure in Western Europe from other countries outside of Western Europe's borders. The graph below shows companies' responses to this question.

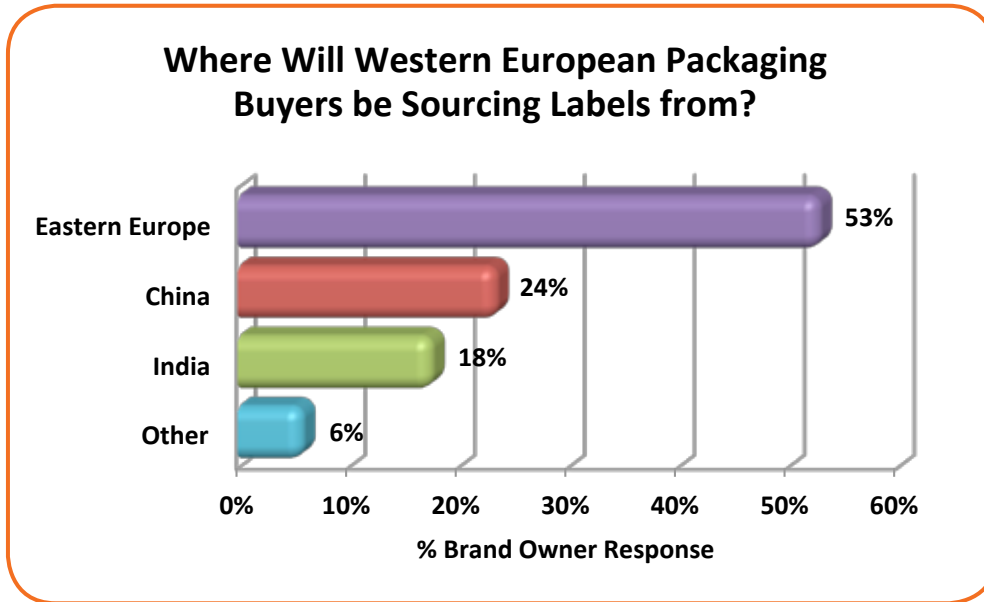


Brand owners are clearly examining alternative sourcing channels for the labels they currently source from within Western Europe. Half of all surveyed companies indicated that they would be seeking label supply channels from outside of Western Europe, replacing vendors with label suppliers beyond Western Europe's borders. The sector that was the most resistant to sourcing shifts was the pharmaceutical sector.



# SECTION 2

In follow up to the previous question, packaging buyers were asked to specify the regions their companies consider as possible sourcing alternatives. The graph below indicates their response.



*Numbers do not add up to 100% due to rounding*

More than half of surveyed companies indicated that some, or all, of their label sourcing requirements would shift from Western Europe to Eastern Europe. When asked during interviews to comment on the factors that are driving this shift, brand owners cited macroeconomic stability, corporate tax advantages, Eastern Europe's highly educated workforce, and strategic location. Companies also commented that the region's lower labor, materials and energy costs outweigh the higher transportation costs these sourcing shifts will incur.

## Labeling Market Trends per End-Use Sector:

This table breaks down each European end-use sector and indicates converter projected growth rates, in addition to average label run sizes and how vulnerable each sector is to regional sourcing shifts.

End-Use Market Trends: Projected Growth, Run Sizes and Potential Sourcing Shifts per End-Use Sector			
End-Use Category	2013-2014 Projected Growth	Average Run Size (in Linear Meters)	Vulnerability to Regional Sourcing Shifts
Food		6,673 l/m	Medium
Beverage		13,958 l/m	Low
Personal Care/Cosmetics		4,082 l/m	High
Pharmaceuticals		2,300 l/m	Medium
Household Chemicals		10,025 l/m	High
Industrial Chemicals		5,987 l/m	Low
Retail		8,832 l/m	N/A
Automotive		1,383 l/m	Medium
Consumer Durables (includes electronics)		1,580 l/m	Medium
Office Products		2,311 l/m	N/A
Transport/Logistics		6,173 l/m	Low

Source: LPC, Inc. FINAT RADAR  
 \*Data taken from FINAT converters located in every major European region and Brand Owners/Packaging Buyers across the European marketplace  
 N/A= Not enough participants in sector to provide analysis

## Key Findings from Surveying and Interviewing Brand Owners and Packaging Buyers

The table below offers a synopsis of the key findings extracted from polling and interviewing European brand owners and packaging buyers.

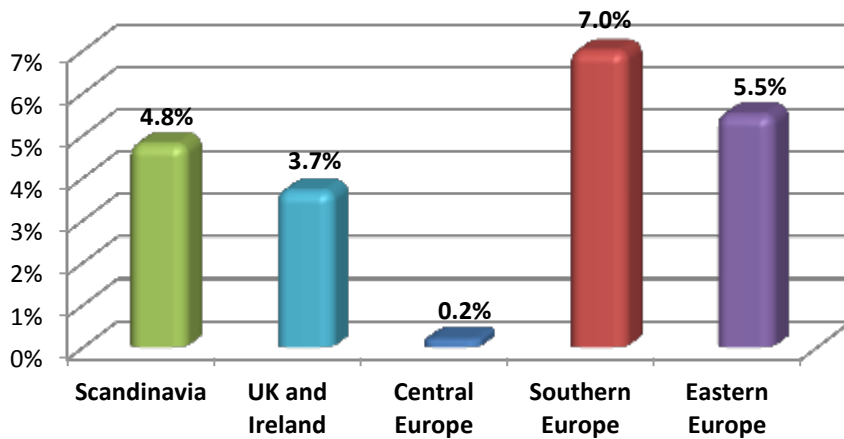
KEY FINDINGS	
<b>18%</b>	Percentage of surveyed brand owners & packaging buyers that want a 'one-stop shop' for as many sourced packaging applications as possible, opening up opportunities for label converters that are proficient at printing folding carton and/or flexible packaging applications.
<b>24%</b>	Percentage of brand owners & packaging buyers claiming that their label vendors must have some type of environmental certification in order to be viable vendors for the label applications they source.
<b>23%</b>	Percentage of brand owners & packaging buyers would either be willing to pay a premium for environmentally friendly label constructions, or indicated that their companies already are paying premiums and actively using these constructions.
<b>30%</b>	Percentage of brand owners & packaging buyers indicating that increasing demands from retailers is the single biggest pain point they currently face.
<b>33%</b>	Percentage of brand owners & packaging buyers don't currently use shrink sleeves for their products, however anticipate they will use shrink sleeves within the next 1-2 years.
<b>50%</b>	Percentage of brand owners & packaging buyers indicating that they will be shifting label sourcing channels from within Western Europe, to other regions outside of Western Europe.
Source: LPC, Inc. FINAT RADAR	

## LABELSTOCK GROWTH PER EUROPEAN REGION

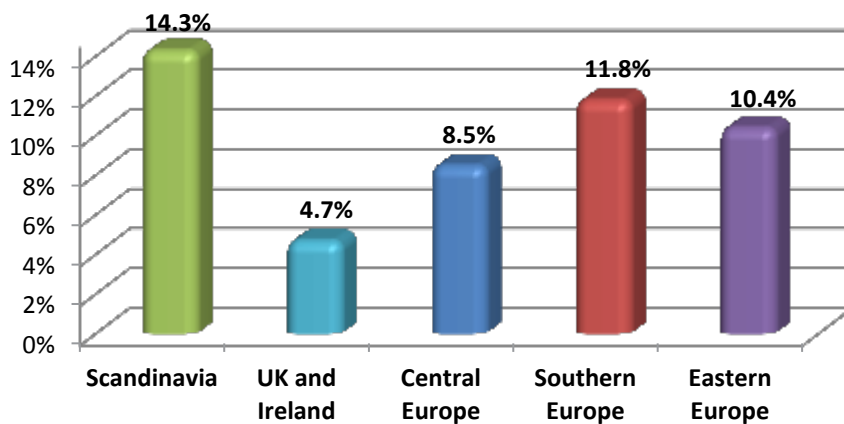
### Year-over-Year Growth Rates For Paper and Film Roll Labelstocks: Q4 2013 vs. Q1 2014

In each issue of the FINAT RADAR one of the final sections in the report will highlight material growth on a year-over-year basis, derived from aggregated data extracted from the quarterly FINAT Labelstock Statistics report. Europe's largest and most prominent labelstock manufacturers participate in the quarterly survey, ensuring that the analysis is as true-to-market and comprehensive as possible. Average year-over-year growth for European paper labelstock sales was 4.4%; average growth for European film labelstock sales was 9.3%. The graphs below break down year-over-year growth for each labelstock type per European region.

**Year-over-Year Growth (Q1 2013 vs. Q1 2014):  
Roll Paper Labelstocks - All Grades**



**Year-Over-Year Growth (Q1 2013 vs. Q1 2014):  
Roll Film Labelstocks - All Grades**



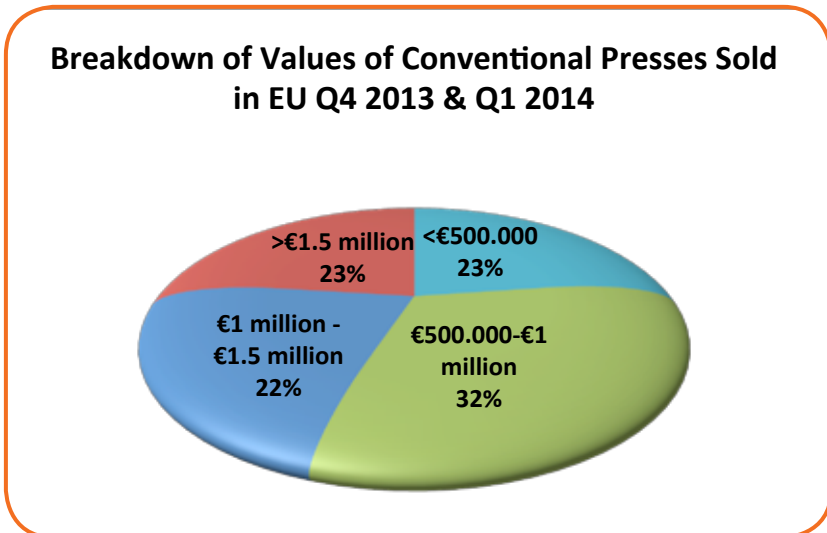
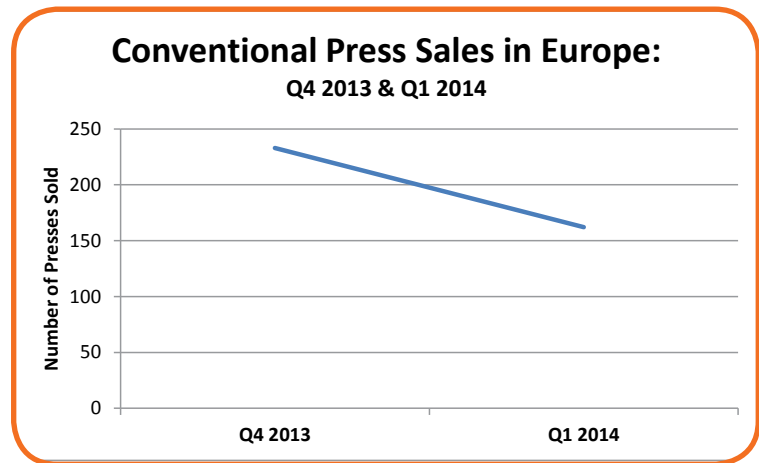
## EUROPEAN CONVENTIONAL PRESS SALES

### Quarter-over-Quarter Volume Sales for Conventional Presses: Q4 2013 & Q1 2014

Like with the rollstock data, each issue of the FINAT RADAR will have a section that presents press sales data in order to develop an index that reflects quarterly fluctuations in total press sales for Europe. All prominent press manufacturers have participated in the conventional press index, representing more than 90% of the market. The chart below shows conventional press sales in Europe for the fourth quarter of 2013 and the first quarter of 2014.

As the first graph shows, there was a marked decline in quarter-over-quarter press sales. Conventional press sales declined by 44% in the first quarter of 2014, compared to sales for the previous quarter. A total of 395 conventional presses were sold into the European marketplace in both quarters. A total of 395 conventional presses were sold into the European marketplace in both quarters; 233 in Q4 2013 and 162 in Q1 2014.

The second graph indicates a breakdown of presses sold for both quarters, by cost range.



The highest volume of presses sold in Europe for these two quarters falls within a price range of €500.000-€1 Million. A similar volume of presses were sold in each of the remaining ranges of press pricing. ***Of all presses sold in the two quarters, 82% were for label applications, 16% for flexible packaging applications and 2% for folding carton applications.***

In future editions of the FINAT RADAR an additional section will be added that features digital press sales in the European marketplace.

## COMPARING AND CONTRASTING THE EUROPEAN LABEL PRINTING MARKET AGAINST U.S. DATA

### Historical and Projected Growth Rates per End-Use Sector, Capital Equipment Purchasing Projections, Sustainability and Packaging Buyer Pain Points

Each issue of the FINAT RADAR will include a section that highlights trending and narrow web data for a region outside of Europe. In this inaugural issue, the focus is on the U.S. marketplace and how current market forces compare to those of the European narrow web industry.

For this issue of the report, FINAT's sister association in the United States, TLMI (Tag and Label Manufacturers Institute), has agreed to share some of their own recent data so that an analysis that compares and contrasts European data against U.S. data may be presented. As with FINAT members, TLMI recently polled its members to ascertain converter growth rates per end-use sector for 2013; in addition to what U.S. converters' predictions were for 2014. The tables below shows FINAT converter member growth per end-use sector compared to TLMI member growth for 2013 and projections for 2014.

Converter Growth in 2013: FINAT and TLMI Member Data per End-Use Sector		
End-Use Category	FINAT Average Converter Growth Rate: 2013	TLMI Average Converter Growth Rate: 2013
Food	3.94%	9.56%
Beverage	1.92%	5.96%
Personal Care/Cosmetics	2.92%	10.85%
Pharmaceuticals	1.83%	9.67%
Household Chemicals	2.43%	6.80%
Industrial Chemicals	1.84%	N/A
Retail	-0.21%	6.08%
Automotive	1.33%	7.40%
Consumer Durables (includes electronics)	1.09%	6.20%
Office Products	-0.73%	N/A
Transport/Logistics	0.26%	5.80%
Source: LPC, Inc. FINAT RADAR and TLMI Index & Trend Report		
*Data taken from FINAT converters located in every major European region and TLMI converters across the U.S. and Canada		
TLMI Industrial Chemicals and Office Products data unavailable		

The table below indicated FINAT and TLMI converter projected growth rates per end-use sector for 2014.

Converter Projected Growth in 2014: FINAT and TLMI Member Data per End-Use Sector		
End-Use Category	FINAT Average Projected Growth Rate: 2014	TLMI Average Projected Growth Rate: 2014
Food	4.88%	11.00%
Beverage	4.17%	7.65%
Personal Care/Cosmetics	4.06%	12.50%
Pharmaceuticals	3.39%	11.88%
Household Chemicals	2.75%	7.25%
Industrial Chemicals	3.08%	N/A
Retail	3.76%	12.67%
Automotive	1.13%	8.88%
Consumer Durables (includes electronics)	2.21%	7.98%
Office Products	-0.10%	N/A
Transport/Logistics	2.21%	10.02%

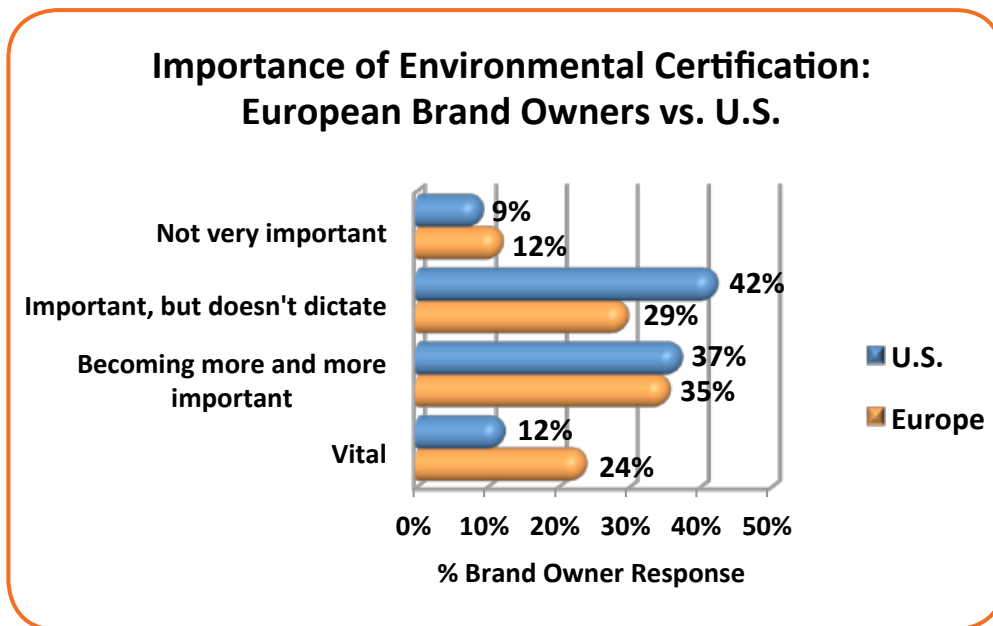
Source: LPC, Inc. FINAT RADAR  
*\*Data taken from FINAT converters located in every major European region and TLMI converters across the U.S. and Canada*  
*TLMI Industrial Chemicals and Office Products data unavailable*

These tables reveal two narrow web markets with markedly different growth rates. In the U.S. market recovery from the global recession has been swift compared to Europe and U.S. converters are reporting double digit growth percentages for their companies in 2013, and the same for 2014. The global recession had a far more reaching impact on European converting companies, and GDP growth remains sluggish for 2014. Amongst the high-income economies of the world, recovery has been the fastest in the U.S. with GDP expanding for more than 10 consecutive quarters as of January of this year. The general optimism of U.S. converters remains high across end-use categories and companies expect growth to continue into 2015.

## Pushing Certification Standards through The Supply Chain: Europe vs. U.S.

An area where both European and U.S. brand owners were surveyed was in companies' policies in terms of requiring environmental certification from label vendors; and for those that don't require it, whether certification will be a requirement in the near future.

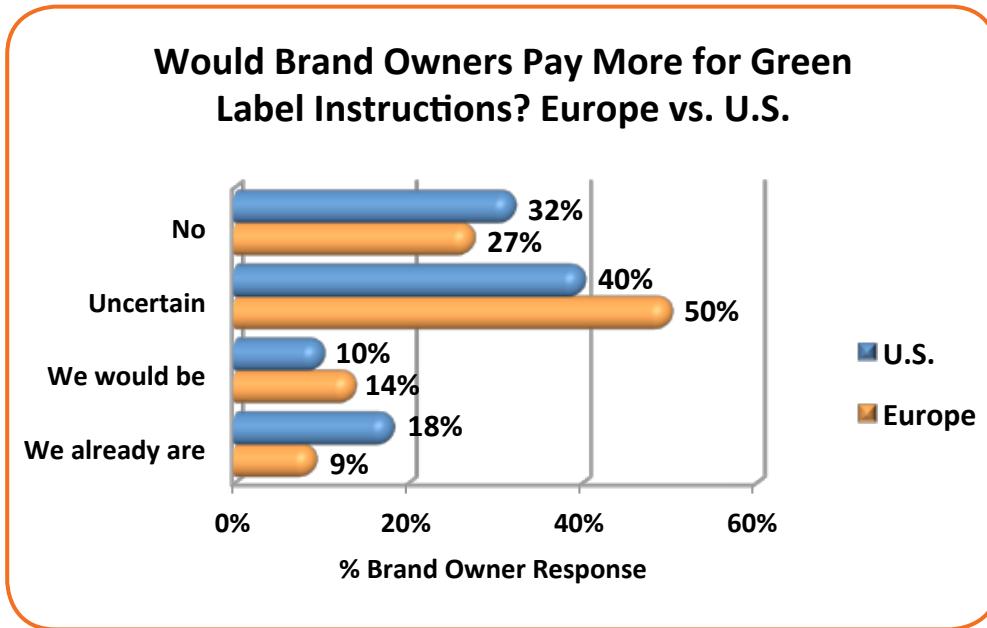
The graph below shows European brand owners' response against their counterparts in the U.S.



This graph is an indication of the increased pressure European label converters have faced to become environmentally certified. Nearly one-fourth of all European brand owners and packaging buyers surveyed cited that environmental certification was a prerequisite for supplying their companies with printed labels. Only 12% of U.S. brand owners cited the same.

As in Europe, U.S. label sourcing participants were also asked if they would be willing to pay more for environmentally friendly label constructions. We have seen this data for Europe in the previous section of this report, however the chart on the next page shows the European data against the U.S.





The results from this question are an interesting contrast to the previous one. While twice as many brand owners in Europe indicated that environmental certification is vital and that it is a prerequisite for their label vendors compared to the U.S., only half as many brand owners in Europe indicated they are using and paying a premium for 'green' label constructions compared to their counterparts in the U.S. One can deduce from this analysis that while environmental certification standards are more stringent for label converters in Europe, European label converters are also more likely to be expected to pick up the premiums associated with becoming environmentally compliant.

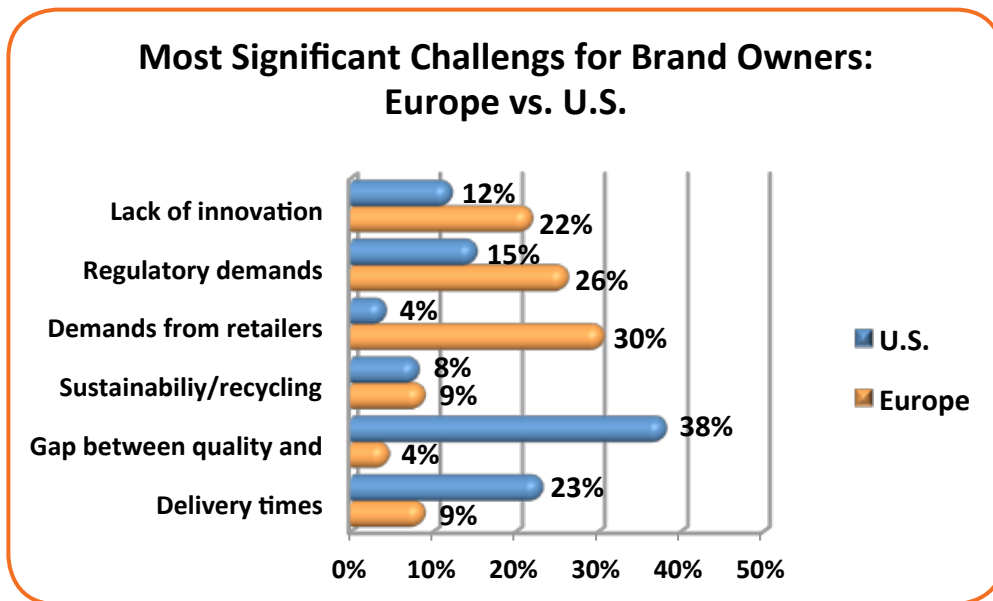
## Most Significant Pain Points for Packaging Buyers In the Sourcing of Labels:

The final and perhaps most extreme comparison of European brand owner data versus U.S. data is in the area of pain points and what companies view their most significant challenges are when it comes to sourcing printed labels. U.S. brand owners were given the same set of criteria to choose from and asked to pick which factor they considered to be their most significant challenge in the sourcing of labels for their company's products.

Brand owners in both regions were asked to choose the one item that they consider their most significant pain point from the list below:

- Delivery times for our labels
- The gap between the quality our label vendors are able to supply and the complex graphics our products demand
- Increasing sustainability and recycling demands
- Increasing demands from retailers (Aldi, Carrefour, Tesco, Metro, etc.)
- Increasing regulatory demands
- Lack of innovation from our label suppliers

The chart below shows European data against U.S. data:



# SECTION 5

Here we see some of the biggest contrasts between data collected from European brand owners and those in the U.S. Retailer pressure and regulatory demands are major forces that impact the decisions European brand owners are making on a day to day basis. While 15% of U.S. brand owners reported that regulatory demands are their most significant pain point, nearly all of these companies primarily serve the pharmaceutical sector whereas this was an issue reported across end-use categories for European brand owners. Additionally, U.S. brand owners are clearly not feeling the same retailer pressures that their European counterparts are with just 4% of U.S. companies indicating that this is their number one pain point.

The other stark contrast in the data is in regards to label quality. More than one third of all U.S. brand owner and packaging buyer respondents indicated that their single biggest pain point in the sourcing of labels was the gap between the quality their label vendors supply, and the complexity of the graphics their products demand. Only 4% of European brand owners selected this option, indicating label quality levels in Europe are well in sync with brand owners' expectations. The U.S. market however paints a different picture, and this is a pressing issue U.S. converters will have to navigate their way through as the demand for sophisticated graphics increases.